Employment Insurance
2003 Monitoring and Assessment Report

Submitted to:

The Minister of Human Resources and Skills Development Canada

March 31, 2004

By:

The Canada Employment Insurance Commission

Prepared by:

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March 2004

The Honourable Joe Volpe
Minister of Human Resources and Skills Development
Place du Portage, Phase IV
140 Promenade du Portage
Gatineau, Quebec
K1A 0J9

Dear Minister Volpe:

We are pleased to present the *2003 Employment Insurance Monitoring and Assessment Report*, the seventh in a series of annual reports submitted by the Canada Employment Insurance Commission under section 3 of the *Employment Insurance Act*.

This seventh report focuses on the period April 1, 2002 to March 31, 2003—the sixth full fiscal year the reformed Employment Insurance (EI) system has been in place. The report presents a detailed analysis of what is known so far about the impact of the 1996 EI reform as well as the overall effectiveness of income benefits and active measures. The analysis compares results for 2002/03 to 2001/02 as well as trends since the implementation of the reforms in 1996/97.

The 2003 report provides information on the comprehensive evaluation that is being undertaken to assess EI income benefits, including the development of an evaluation framework. To further improve transparency and ensure balanced reporting of findings, a supplementary annex provides a summary of the key studies and evaluations that are referenced in the report. Further, the report provides a detailed assessment of the savings that were realized as a result of EI reform. The report also provides preliminary findings on the effectiveness of Employment Benefits and Support Measures that are delivered under the Labour Market Development Agreements.

As we pointed out in previous years, you should note that our findings on the impact of changes to the EI program for this period are based on available data. For example, as it takes several months following the end of a claim before administrative information is available for analysis, the information about claims that started in the latter part of 2002/03 will only be available later. In addition, information on measures such as the benefit repayment provision comes via the tax system; therefore, the most recent information on this provision was for 2001.

We trust that you will find the report informative.

Wayne Wouters
Chairperson

Anthony Wohlfarth
Commissioner for Workers

Marie-Antonett Flumian
Vice-Chairperson

Roger Légaré
Commissioner for Employers

Canada

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Introduction

The Employment Insurance (EI) reform, introduced in July 1996 and January 1997, represented the most fundamental restructuring of the Unemployment Insurance program in 25 years. That is why the Government of Canada included a legislative requirement for the Canada Employment Insurance Commission to monitor and assess the impacts of the reform in a series of five reports covering the years 1997 to 2001. In light of the need to modify the EI program in the context of sound evidence,[1] the monitoring and assessment requirement was extended for an additional five years, from 2001 to 2006. Findings from recent reports led to the changes introduced in Bill C-2, an *Act to Amend the Employment Insurance Act and the Employment Insurance (Fishing) Regulations*, which received Royal Assent on May 10, 2001, and Bill C-49, an *Act to Implement Certain Provisions of the Budget Tabled in Parliament on December 10, 2001*, which received Royal Assent on March 27, 2002. EI regulations were also changed because of the monitoring and assessment process. Modifications to the rules concerning apprentices and small weeks came into effect, respectively, on July 21, 2002 and September 7, 2003. Further, on September 25, 2002, the Government of Canada launched a pilot project to ensure full access to maternity and parental benefits for mothers on preventive withdrawal from work.

This is the seventh Employment Insurance Monitoring and Assessment Report and it focuses on the period April 1, 2002 to March 31, 2003, the sixth full fiscal year that the Employment Insurance system has been in place.

Chapter 1 sets the context for the results by providing an overview of the Canadian labour market. The results for income benefits are described in Chapter 2. The support provided to unemployed workers through active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3. Chapter 4 provides an overview of program administration including the Modernizing Service for Canadians initiative. In Chapter 5, the impacts and effectiveness of EI are analyzed. Chapter 5 also highlights the development of a new evaluation framework for the EI program.

I. CANADA EMPLOYMENT INSURANCE COMMISSION

The Canada Employment Insurance Commission has four members who represent the interests of Government, workers and employers. The Chairperson and Vice-Chairperson (the Deputy Minister and Associate Deputy Minister of Human Resources and Skills Development) represent the interests of the federal government. The Commissioners for Workers and Employers represent the interests of workers and employers, respectively. Among its other responsibilities, the Commission has been assigned the legislated mandate to monitor and assess the impacts of EI reform. Under the 1996 EI Act, the Commission provided a report to the Minister by December 31st each year. However, under Bill C-2, this date was changed to allow for sufficient consultations with provinces in the preparation of this report. The Employment Insurance Commission must now provide the Minister with the report no later than March 31st. The report is then to be tabled by the Minister in Parliament.

[1] The Monitoring and Assessment report makes use of many sources of information in analyzing the effects of the changes introduced under Employment Insurance. In addition to HRSD administrative data, Canadian Out of Employment Panel (COEP) studies and information from Statistics Canada, evaluation studies that are funded by HRSD are also used. As in previous reports, this report includes references to evaluation studies that touch on both Part I and Part II benefits of the *Employment Insurance Act*.

The 1996 reform was far-reaching, affecting the fundamental design of the program. The 2001 and 2002 amendments reflected the program's responsiveness to changing economic and labour market conditions. The monitoring and assessment process helps to provide a broader understanding of the effectiveness of changes implemented. It reports on the impact of reforms on individuals, communities and the economy and helps contribute to the evolution of the program by providing feedback on how EI is assisting Canadians with temporary income support and re-employment measures.

II. LEGISLATED MANDATE

Specifically, section 3(1) of the *Employment Insurance Act* states that:

"The Commission shall monitor and assess:

a) how individuals, communities and the economy are adjusting to the changes made by this Act to the insurance and employment assistance programs under the *Unemployment Insurance Act*;

b) whether the savings expected as a result of the changes made by this Act are being realized; and

c) the effectiveness of the benefits and other assistance provided under this Act, including

   (i) how the benefits and assistance are utilized by employees and employers; and

   (ii) the effect of the benefits and assistance on the obligation of claimants to be available for and to seek employment and on the efforts of employers to maintain a stable workforce."

In addition, under Bill C-2, section 3(2) of the EI Act was amended to extend the monitoring and assessment process to 2006 and to allow the Commission more time for proper consultations with the provinces and territories in the preparation of the report. The Act now states that:

"The Commission shall report to the Minister on its assessment annually from 2001 to 2006, no later than March 31 following the end of each of those years. The Commission shall make any additional reports at any other times, as the Minister may request."

Executive Summary

The seventh annual Employment Insurance (EI) Monitoring and Assessment Report examines the impacts and effectiveness of EI from the perspective of the economy, communities, and individual workers. The report also examines the effectiveness of the program in terms of how the program is utilized, encouraging work force attachment, use of active re-employment measures, and employers' management of their work force. The analysis focuses on the period from April 1, 2002 to March 31, 2003, which represents the sixth full fiscal year since the implementation of the reformed Employment Insurance program in 1996/97. Trends identified in previous reports, as they relate to the more recent findings, are also discussed.

Chapter 1 provides an overview of the Canadian labour market during the reporting period. The use of income benefits is described in Chapter 2 and participation in active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3. An overview of program administration, including the Modernizing Service for Canadians initiative, is presented in Chapter 4. Finally, Chapter 5 concludes with an analysis on the impact and effectiveness of the EI program from various perspectives and a review of the savings realized from the 1996/97 EI reform.

Labour Market Context

In 2002/03, Canada's economy and labour market recovered from the slowdown experienced during the previous reporting period. Overall, job gains were relatively large and widespread, with employment growing by 416,100 jobs, or 2.8% over 2001/02. Of the 416,100 new jobs created during the reporting period, nearly 40% were in part-time employment. As a result, the proportion of the employed population working part-time increased to 18.8%, the highest proportion since 1998/99. The strength of the Canadian economy during the reporting period is also demonstrated by the fact that participation rates for men (73.5%) and women (61.0%) continued to increase. Despite the strength of the economy and labour market, a substantial number of Canadians heading a family lived on low incomes. This is significant because the Family Supplement is designed to enhance support for these individuals and their families.

In 2002/03 all provinces experienced positive employment growth, with two-thirds of the new jobs created in Quebec and Ontario. Employment growth was similar across paid employment (2.7%) and self-employment (2.8%). This is significant because paid employment is insured under EI and self-employment is not covered under the program with the exception of self-employed fishers. The analysis also indicates that employment growth was balanced across sectors with the services sector growing by 2.7% and employment in the goods-producing sector increasing by 2.9%.

Despite a relatively high rate of employment growth, the unemployment rate increased slightly from 7.4% to 7.6% as the growth in the size of the labour force was greater than the growth in employment. The unemployment rate remained stable for prime-aged men (6.6%) but increased for all other categories. Education continues to be a critical factor in determining labour market outcomes as individuals with less than a high school education had an unemployment rate of 13.6% in comparison to 5.0% for those with a university degree.

EI and the Economy

In 2002/03, there were 1.87 million new claims for EI benefits, representing a slight decrease of 3.2% over the previous year. The decrease in new claims is consistent with the stronger

labour market during the reporting period. Despite the decrease in total new claims, income benefits paid in 2002/03 totalled $12.3 billion, an increase of 6.9% over 2001/02. The increase in benefits paid reflects the payment of benefits for claims established in 2001/02 when the economy experienced a slowdown and enhanced parental benefits matured.

Overall, evidence indicates that the EI program has been effective in stabilizing the economy and promoting an efficient labour market. Results from two independent macro-simulation models indicated that the total stabilization effect was between 10% and 16%, meaning that in the absence of the EI program there would have been a further decline in output and employment of approximately 10% to 16% in 2001 and 2002. Further, analysis indicates that the EI program assisted in maintaining household consumption as only 12% of individuals separated from their job experienced a decline in their household spending one year following job loss. For those whose consumption decreased, the magnitude of the decline varied depending on the type of household with an average decline of 24% of total annual income. A recent study also determined that the EI program does not act as a barrier to labour mobility, as there is a high degree of mobility across communities.

EI and Communities

An analysis of 14 representative communities, monitored since EI reform indicated that the program continues to respond to changes in local labour markets, despite very different economic realities across the country, by automatically adjusting entitlement and eligibility. The analysis shows that the duration of EI benefits continues to be adequate as claimants used, on average, 64% of their maximum entitlement before returning to work. An additional analysis of urban and rural workers indicated that workers in rural communities were not affected by EI reform any differently than non-rural workers in terms of eligibility and entitlement.

EI and Individuals

Access to Benefits

As in past years, the issue of access to the EI program was examined using a variety of measures. The findings indicate that access remains high and is consistently high across the country. The analysis also indicates that there are variations in accessibility to the EI program by demographic groups and employment status. Women tend to have lower access to EI in comparison to men, reflecting different work patterns as women are more likely than men to work part time. Access for youth is lower because they are more likely to have insufficient insurable hours since they are more likely to be new entrants to the work force and, as a result, must meet higher entrance requirements. They also are more likely to work part time.

One approach used to examine accessibility was to examine the proportion of Canadian workers who would be eligible for EI should they lose their job. A simulation using the Survey of Labour and Income Dynamics (SLID) indicates that overall access to EI remains high with 88% of employed workers being eligible for EI benefits if they lost their job in December 2001. Accessibility was the same for men and women working full time (96%) and was lower for part-time workers with men at 41% and women at 57%. An analysis of accessibility for employed youth indicated that 65% would have been eligible to receive EI had they lost their job in December 2001. Further, an analysis based on the SLID simulations indicates that over 91% of employed workers

would have been able to access special benefits had they lost their job in December 2001.

A second method used to examine accessibility is the proportion of unemployed individuals, previously in paid employment, that are potentially eligible for EI. An analysis indicated that nearly 84% of those who had paid EI premiums and either lost their job or quit with just cause, were potentially eligible to receive EI benefits in 2002. The level of access for unemployed men (85%) was slightly higher than for women (82%), while access was 95% for individuals who had previously worked full time in comparison to 59% for part time and 79% for seasonal. An analysis also determined that among the unemployed target EI population, immigrants were more likely (87.8%) to be potentially eligible for EI than Canadian-born workers (83.1%). A further analysis will be undertaken to examine accessibility for recent immigrants and, in particular, the impact of the new entrant/ re-entrant provision.

Finally, the broadest measure of accessibility to EI is the benefit to unemployment (B/U) ratio, which examines the proportion of all unemployed individuals that are in receipt of EI benefits. In 2002/03 the B/U ratio declined slightly from 47.0% to 45.4% in 2002/03, which is attributable to an increase in the proportion of the unemployed that have been out of the work force for an extended period of time.

An analysis continues to indicate that fishers are qualifying for benefits with relative ease as 96% of fishing claimants qualified for benefits with insured earnings in excess of the maximum entrance requirement of $5,500. The relative ease with which fishers are meeting the entrance requirement may be encouraging more individuals to enter the fishing industry than otherwise would be the case. For example, the growth in fishing claims by women has outpaced men for several years and increased by more than 20% in 2002/03. A more in-depth analysis of the utilization of EI fishing benefits along with an analysis regarding the impact of EI fishing benefits on the commercial fishery will be undertaken.

As part of an ongoing effort to ensure the transparency and efficacy of the coverage measures, a review of these measures will be conducted by internal and external experts in preparation for the *2004 Monitoring and Assessment Report*.

Adequacy of Benefits

An analysis indicates that in 2002/03, the average weekly benefit rate increased by 1.5% to $308, demonstrating that EI benefits continue to adjust in relation to rising wages. Nearly 32% of EI claimants received the maximum benefit rate of $413 per week. The weekly benefit rate is based on the maximum insured earnings (MIE). An analysis of the MIE indicates that it remains 9.4% higher than the average industrial wage. The MIE will continue to be monitored and assessed. An analysis for 2002/03 determined that, on average, regular beneficiaries collected benefits for only two-thirds of the maximum number of weeks that they were entitled to, a proportion that is consistent with previous reporting periods. In addition, just over 30% of regular EI beneficiaries exhausted their entitlement to EI benefits, also consistent with previous reporting periods, and the number of frequent claimants who exhausted their benefits remained stable. An analysis indicated that one-third of sickness beneficiaries exhausted their entitlement. The circumstances of individuals that exhaust their entitlement to sickness benefits will be examined and reported in future Reports.

An analysis of maternity and parental benefits claims demonstrates that parents are using at least 85% of the full year available to them, indicating that the enhancements to parental benefits have provided families with the flexibility to care for their newly born or adopted children for an extended period of time. In 2002/03, men's participation in parental benefits continued to grow, increasing by 26%. Findings from recent studies indicate that following the enhancements to parental benefits mothers are spending a longer period of time at home, with over 70% of mothers taking a minimum of 11 months. The findings also determined that women are now returning to work more gradually, demonstrating the increased flexibility in sharing the benefits. Moreover, the findings found that overall household income did not significantly affect the duration of time at home by parents and that a mother's own wage was a more significant factor. A recent study examined mothers in receipt of Supplementary Unemployment Benefits and determined that mothers in receipt of a top-up were less likely to have short leave and were more likely to return to work within one year.

Adequacy of benefits was also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families. An analysis indicates that maternity/parental beneficiaries in receipt of the Family Supplement collected an additional 1.3 weeks of benefits, indicating the Family Supplement is helping to ensure that lower income claimants can fully access these benefits. Previous Reports have highlighted that the proportion of EI beneficiaries eligible for the Family Supplement has declined since 1998/99, which can be traced to family incomes increasing while the Family Supplement threshold remained fixed at $25,921. In 2002/03 the proportion of EI beneficiaries receiving the Family Supplement remained stable at 9.8%. Further monitoring and assessment of the Family Supplement provision is necessary.

Promoting Work Force Attachment

While there are numerous provisions within the program designed to promote work force attachment, this report focused on three key provisions: the divisor, working while on claim, and the Small Weeks provision. Overall, the findings indicated that the divisor and Small Weeks provision are working as intended. However, as has been reported in previous years, the working-while-on-claim provision may not be encouraging clients to accept all available work.

The divisor has encouraged a significant behavioural change as individuals are working the extra two weeks before establishing a claim. An analysis indicates that individuals who did not work at least two weeks beyond their minimum entrance requirements remained relatively stable at 3.3%. In 2002/03, the proportion of EI claims established using the Small Weeks provision increased from 8.1% to 9.9%. An analysis indicated that the Small Weeks provision provided clients, on average, with a weekly benefit that was $12 higher in 2002/03 than it would have been had the provision not existed. Atlantic Canada and Quebec have a significantly larger proportion of claimants with small weeks compared to the national distribution.

While nearly 57% of claimants work while on claim, the proportion of claimants reporting working while on claim continued to decline. Findings continue to indicate that claimants may be hesitant to accept work while collecting EI benefits unless they can reduce their EI benefit for that week to $0, which allows them to keep the week of benefit for later use.

A further analysis of the working-while-on-claim provision is necessary.

Employment Benefits and Support Measures (EBSMs)

During 2002/03 slightly fewer than 638,000 individuals took part in EBSMs funded through EI Part II, which is a slight increase over the previous reporting period. During the reference period there were 895,885 interventions, an increase of over 100,000 from 2001/02. This is a result of increased utilization of short-term support interventions such as counseling and job finding clubs that, during times of positive labour market conditions, are often the preferred option to facilitate re-entrance to the labour market.

Preliminary results of the summative evaluations for British Columbia and Quebec indicate that EBSMs are having varying impacts in different regions of the country. The summative evaluations are aimed at providing information on the impact of active measures in helping participants prepare for, find and keep jobs. With regards to the British Columbia summative evaluation, preliminary findings indicate positive employment and earnings impacts for active clients (in receipt of income benefits), but no evidence of such improvements for former EI clients (no longer in receipt of income benefits). Further, EBSMs had a limited impact on reducing government income assistance. With respect to the Quebec summative evaluation, preliminary findings indicate some positive impacts with regards to former clients on employment, earnings and provincial income assistance, but there is insufficient evidence to conclude positive impacts on employment and earnings for active EI clients. The summative evaluation for Newfoundland and Labrador is ongoing and it is too early to report on impacts. Given the preliminary nature of the results overall, further analysis will be conducted as the summative evaluation reports are finalized.

Employers' Management of Their Work Force

Case studies and interviews with employers indicated that the key benefit of the Work Sharing program from the perspective of firms is that it allows them to retain their core work force during temporary slowdowns, thereby avoiding future hiring and retraining costs associated with employee turnover.

Findings from a survey of employers on the impact of enhanced parental benefits indicated that employers overall are very supportive of the expanded parental benefits and have not encountered any major difficulties when their employees take advantage of the enhanced leave. The only exception was small employers who had no experience with employees taking extended leave. Small employers who had experience with the longer leave provisions were supportive of the initiative.

Savings Attributable to EI Reform

Previous Monitoring and Assessment reports provided estimates of the incremental savings attributable to EI reform during each respective reporting period, as not all measures were mature. The 2003 report provides a detailed summary of the savings and reinvestment in active measures attributable to EI reform. It is estimated that a total of $1.2 billion in savings were realized, of which $800 million were reinvested into active measures to assist individuals in finding work. While savings from EI reform are lower than originally forecast, they are significant. The original savings forecast of $2 billion was based on the expectation of much higher EI expenditures than were actually needed given the strength of the economy and lower unemployment rates in the years following EI reform. In relative terms, the $1.2 billion in savings achieved represents about

10% of program expenditures, which is in line with the original estimate.

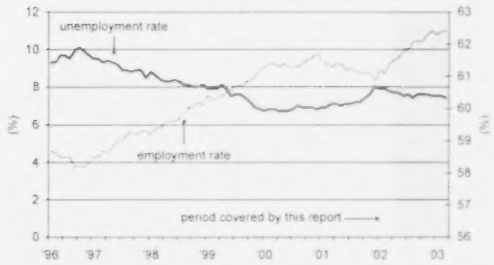
Program Administration – Service Delivery

In 2002/03 substantial progress was made towards modernizing the service delivery network. Clients now have an array of choices for the most common services. The content and navigation of the EI Internet site has been improved and the number of visitors has increased by over 200% in comparison to the previous year. With 17% of claims being submitted electronically and an overall satisfaction rating of 8.5 out of 10, the launch of EI Appli-Web, which allows claimants to apply for benefits via the Internet, has proven to be successful. In addition, over half of the kiosks in local offices have been transformed to Citizen Access Web Stations, allowing clients to access the Internet and on-line Government services. Enhancements were also made to the automated telephone reporting service contributing to an increase of 12 million bi-weekly reports completed by telephone, resulting in faster payments to claimants.

Over the past three years a number of quality management initiatives have been implemented to improve the accuracy of benefit payments as well as service to clients. As of March 2003, the accuracy of EI benefits has improved to 95.5%, representing a significant improvement from 93.5% in March 2001. Findings from a 2001 client satisfaction survey are also positive, with 77% of clients being satisfied or very satisfied with the overall quality of service they received.

This chapter outlines key labour market developments and provides the economic context in which the Employment Insurance (EI) reform of 1996 and subsequent changes to the EI Act can be assessed for fiscal year 2002/03. Unless otherwise stated, the data used in this chapter are drawn from Statistics Canada's Labour Force Survey (LFS).[1] More detailed information on the various elements discussed in this chapter can be found in Annex 1.

Chart 1: Economic Context since EI Reform



Source: Labour Force Survey

1. *Overview*

During this reporting period Canada's economy and labour market recovered from the slowdown experienced in 2001/02.[2] Canada's Gross Domestic Product (GDP) growth for 2002/03 was 3.3%, nearly double the average of 1.8% for all Organisation for Economic Cooperation and Development (OECD) countries in 2002.[3] Job gains were relatively large and widespread, with employment growing by 416,100 jobs or 2.8% over the previous reporting period. Employment growth was balanced between the goods- and services-producing sectors at 2.9% and 2.7%, respectively. Despite this relatively high level of employment growth, the unemployment rate remained relatively stable at 7.6%. This is because the number of people seeking employment grew by 2.9%, 0.1 percentage points higher than employment growth, during the reporting period.

2. *Employment*

Overall, employment growth was positive throughout 2002/03. Growth in part-time employment (5.9%) was significantly larger than full-time employment (2.0%). Of the 416,100 new jobs created during the reporting period, nearly 40% were in part-time employment. As a result, the proportion of the employed population working part time increased to 18.8%, the highest proportion since 1998/99. Chart 2 illustrates that part-time employment began to decline in 1999/00 just prior to the economic slowdown of 2000/01 and remained at a lower level during a period of slower growth, and then increased again in 2002/03 with stronger economic growth.

Part-time employment gains were highest for older workers (17.0%) and youth (5.3%).[4] From a sectoral perspective, part-time employment

[1] The Labour Force Survey (LFS) is a household survey carried out monthly by Statistics Canada. Since its inception in 1945, the objectives of the LFS have been to divide the working-age population into three mutually exclusive classifications -employed, unemployed, and not in the labour force—and to provide descriptive and explanatory data on each of these categories. Data from the survey provide information on major labour market trends such as shifts in employment across industrial sectors, hours worked, labour force participation and unemployment rates. The LFS is a survey of a sample of individuals who are representative of the civilian, non-institutionalized population, 15 years of age or older in Canada's 10 provinces. Specifically excluded from the survey's coverage are residents of the Yukon, Northwest Territories and Nunavut, persons living on Indian reserves, full-time members of the Canadian Armed Forces and inmates of institutions. Together, these groups represent an exclusion of approximately 2% of the population aged 15 and over. The sample size has been approximately 54,000 households since July 1995.

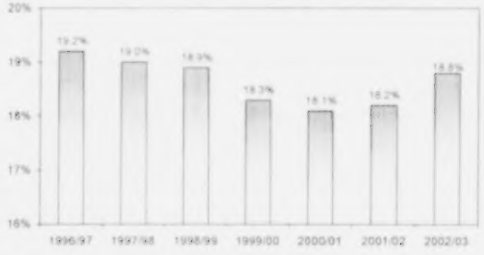
[2] Unless otherwise indicated, the reporting period analyzed in this report is the fiscal year beginning April 1, 2002 to March 31, 2003. Job growth and unemployment measures are calculated using annual averages of seasonally adjusted data, unless otherwise indicated.

[3] Canadian GDP growth was 1.8% in 2001/02, 4.6% in 2000/01, 5.8% in 1999/00, 4.1% in 1998/99 and 4.5% in 1997/98. Note that international GDP figures are annual, not fiscal. Source: OECD (2003), Main Economic Indicators.

[4] Older workers are defined as individuals 55 years and over. Youth refers to individuals less than 25 years of age.

increased by 6.3% in the services sector and 3.0% in the goods-producing sector. Higher growth in the service sector is consistent with the fact that part-time employment is more predominant within that sector.[5]

Chart 2: Part-time Employment as a Percentage of All Jobs

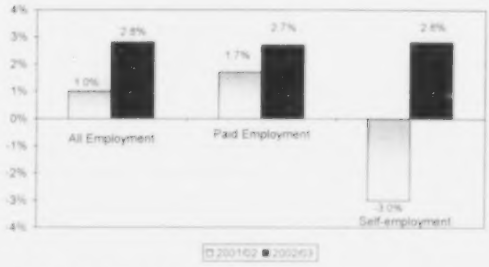


Source: Labour Force Survey

Part-time employment increased slightly more for men (6.2%) than for women (5.8%) during the reporting period. The highest growth rate in part-time employment occurred among the self-employed (12.0%). As a result, the proportion of the self-employed that work part time increased from 20% in the previous reporting period to 22%.

Employment growth in 2002/03 was approximately the same across paid and self-employment with paid employment increasing by 2.7% and self-employment growing by 2.8% (refer to Chart 3). This is the first time that self-employment growth has kept pace with growth in paid employment since 1997/98. This also marks the first time over the past four reporting periods that the proportion of self-employed in the labour force (15.2%) has not declined. This is significant because paid employment is insured under EI and self-employment is generally not covered under the program.

Chart 3: Employment Growth by Type



Source: Labour Force Survey

In comparison to the previous reporting period, the average hours worked in a week decreased by 1.5% from 33.4 to 32.9. Despite this decline, the total number of hours worked during the reporting period increased by 0.4% or 111 million hours. As a result, the increase in hours worked can be traced to the creation of new jobs. Total hours worked by full-time employees increased by 0.2%, while total hours worked by part-time employees increased by 2.2%. It is also noteworthy that the average hours worked by full-time employees decreased by 1.9% from 37.5 to 36.8, while it decreased by 0.6% from 15.9 to 15.8 for part-time employees. This is significant because the entrance requirements for EI are based on hours.

Another important aspect of the labour market is the extent to which some workers and their dependants have low incomes. In 2001, there were about 460,000 low-income workers[6] in Canada of which 184,000 were unattached individuals and 230,000 were heads of a family.[7] When including dependants, 964,000 individuals were living in a family headed by a low-income worker of which about one-third were children under the age of 18. In 2001, 10.8% of unattached workers and 4.0% of

[5] Note that due to data limitations, some of the data in this paragraph have not been seasonally adjusted.

[6] Low-income workers are individuals aged 18 to 64 who have worked for pay a minimum of 910 hours in the current year and who are not full-time students (workers), and whose family income falls under Statistics Canada's Low Income Cut-Off – Income After Tax (low income). All results are based on the main file of Statistics Canada's Survey of Low Income Dynamics (SLID). More detailed information on the SLID can be found in Annex 5.

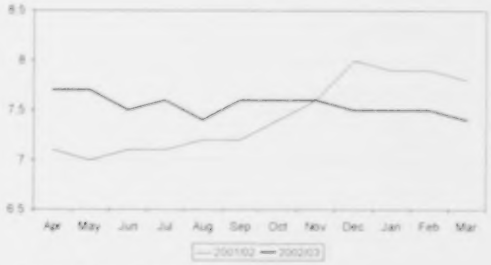
[7] The head of an economic family is the individual working the highest number of hours in the family.

family heads were low-income workers. The majority of these low-income workers were employed full time and full year.[8] Moreover, although they worked, on average, the same number of hours as their non-low-income counterparts, low-income workers earned wages that were 38% lower, in the case of unattached individuals, and 42% lower, in the case of heads of families, than non-low-income workers. This is significant because EI includes the Family Supplement, which enhances support to low-income claimants with children.

3. Unemployment

During 2002/03, about 1.3 million Canadians were unemployed (refer to Annex 1.4). Unemployment was highest during the first quarter of the fiscal year and then steadily declined over the remainder of the reporting period (refer to Chart 4).

Chart 4: National Unemployment rate (%)



Source: Labour Force Survey

In 2002/03, unemployment rates increased slightly over the previous reporting period for prime-aged women[9] (from 6.1% to 6.3%), youth (13.2% to 13.5%), and seniors (5.7% to 5.8%). The unemployment rate for prime-aged men remained unchanged at 6.6%.

While unemployment rates were up or stable for all groups, the unemployment rate of every age and gender category during the current reporting period was below the average of all previous monitoring and assessment reporting periods.[10]

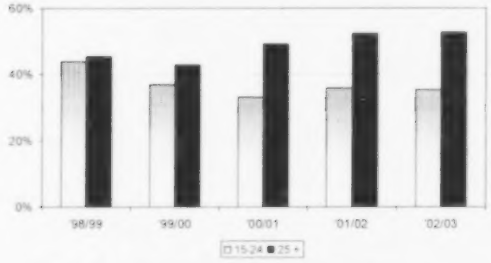
Although the unemployment rate for older workers increased slightly from 5.7% to 5.8% over 2001/02, it remained well below the national average of 7.6%. In contrast, the youth unemployment rate rose from 13.2% to 13.5%. This is the second consecutive increase for youth, reversing the trend of the late nineties when youth unemployment was declining. Youth are often affected by economic slowdowns as they have less tenure and experience in the workplace.

The proportion of long-term unemployment rose from 4.9% of all unemployed people in 2001/02 to 5.2% in 2002/03.[11] However, the level of long-term unemployment in Canada has declined considerably since 1994/95, when it peaked at 14.9% of the unemployed labour force. Canada's proportion of long-term unemployment remains among the lowest for G7 nations, ranking second only to the U.S. It should also be noted that the proportion of unemployed who do not have any recent work experience has grown significantly since the beginning of the 1990s.[12] The proportion of unemployed who have not worked in the past 12 months increased from 18.9% in 1990/91 to 31.1% in 2002/03. This is significant because EI is designed to provide temporary income replacement for people with recent work experience.

[8] As per the SLID, full time means working 30 hours or more per week and full year means working 49 weeks or more per year.
[9] Prime-aged refers to those aged 25 to 54 years.
[10] The 1996/97-2002/03 average unemployment rate is 6.7% for prime-aged women, 7.0% for prime-aged men, 14.2% for youth and 6.0% for older workers.
[11] Long-term unemployment is defined as lasting more than one year and requires that an individual look for work continuously throughout the year.
[12] The unemployed with no recent employment includes the long-term unemployed, but also includes new-entrants into the labour market and those who have not worked in the previous 12 months but have not looked for work continuously in those 12 months (i.e., they are not considered to be long-term unemployed).

A Statistics Canada report highlighted the dynamics of the Canadian economy by examining the number of hirings and separations in 1998 and 1999.[13] It found that, on average, 707,000 people per month moved into and/or out of a job, representing approximately 5% of the labour force in Canada. The largest turnover rates in the labour force occurred in Atlantic Canada, reflecting the contingent nature of work in these provinces. Findings from the report indicated that youth were twice as likely to quit their jobs as opposed to being laid-off, while prime-aged workers were more likely to experience a layoff than quit.

Chart 5: Individuals Who Lost Their Job Involuntary by Age



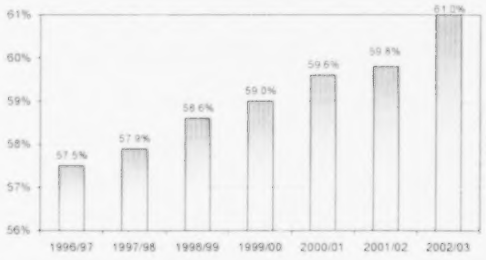
Source: Derived from Labour Force Survey data

The reasons why individuals became unemployed during the reporting period are also important, as EI is intended to provide temporary income support for involuntary job loss. The proportion of individuals who lost their job involuntarily was 47.6%, the same as the previous reporting period. As indicated in Chart 5, this share has increased among workers older than 25 and decreased among youth, who often voluntarily leave jobs to attend school. Only 21.3% of all individuals (15 and over) who became unemployed in 2002/03 did so voluntarily.[14]

4. Demographic Groups

The participation rate of women in the labour force continued its upward trend, increasing from 59.8% to 61.0%, while the participation rate for men increased from 72.6% to 73.5%. These increases are the largest in the past 21 years.

Chart 6: Participation Rates for Women



Source: Labour Force Survey

Employment growth for women overall was 3.1%. In contrast to previous reporting periods when employment growth for women was concentrated in the services-producing sector, women had similar rates of growth in both the goods and services sectors, at 3.1% and 3.0%, respectively. Women's employment growth in the goods-producing sector was strong in agriculture (6.5%) and manufacturing (4.8%) but declined or remained relatively stable in the other major goods-producing industries. Employment growth for women in the services-producing sector was highest in educational services (5.7%) and health care and social assistance (5.6%). It is noteworthy that women are more likely to work part time than men,

[13] *Labour Force Update – New Hirings and Permanent Separations*, Statistics Canada, October 2000, Catalogue no. 71-005-XPB.

[14] Voluntary separations are defined differently for EI and for Labour Force Survey purposes. For example, someone who leaves a job to move with their spouse would be considered voluntarily unemployed for LFS purposes. Under EI, they would be subject to the just-cause provisions. Section 29 of the EI Act identifies 13 specific circumstances that constitute just cause for voluntarily leaving employment. Just cause for voluntarily leaving employment is not limited to only the situations currently defined in the Act. Jurisprudence has historically shown there to be 40 main reasons deemed just cause for voluntarily leaving employment. It is important to note that, within the terms of the EI Act, just cause for voluntarily leaving employment exists where, having regard to all circumstances, the claimant had no reasonable alternative to leaving employment.

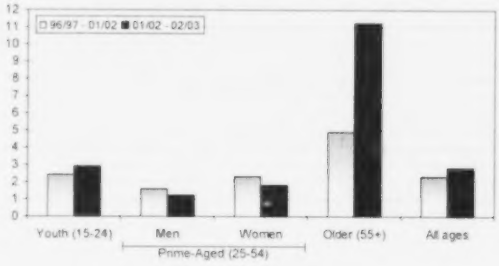
representing approximately 69% of part-time workers, although their proportion of the labour force is about 46%.

Overall employment growth for men was 2.5%. In the goods sector where men are more highly represented, employment growth was 2.8% and in the services sector, growth was 2.3%. The highest growth in the goods sector was in the utilities (10.6%) and construction (5.8%) industries, whereas business, building and other support services (7.5%) and educational services (7.2%) experienced the highest growth in men's employment within the service industries.

Youth employment grew by 2.9% in 2002/03, well above the 0.6% growth in the previous reporting period, as well as the average growth since EI reform in 1996/97 (2.5%). Employment growth for youth was higher in the services sector (3.1%) than the goods-producing sector (1.8%), consistent with historical trends in youth employment. The highest employment growth for youth in the services sector occurred in educational services (16.8%), finance, insurance, real estate and leasing (10.0%) and trade (4.0%).[15] Youth employment also grew in the information, culture and recreation industry despite an overall decline in employment in the industry. Employment growth for youth in the goods-producing industries was highest in construction (8.8%) and agriculture (5.0%).

Employment growth for older workers grew by 11.2%, more than double the growth in 2001/02 (5.2%). Growth in the population of individuals aged 55 and over and an increasing participation rate among this group, combined with greater job availability as the economy expanded, contributed to the large increase (refer to Chart 7). There was also a significant increase in part-time work and self-employment by older workers indicating a return to the work force of older workers who may have retired.

Chart 7: Employment Growth by Gender and Age
(average annual %)



Source: Derived from Statistics Canada data

In general, it is important to note that older workers often experience greater difficulty than other age groups in re-entering the work force after losing their job. The proportion of long-term unemployment among older workers is about double that of prime-aged workers. A recent report indicates that limited job search skills, often outdated workplace skills in relation to the requirements of the new economy, limited mobility, high wage expectations, and the reluctance of many employers to consider older workers help to explain the longer periods of unemployment experienced by older workers.[16]

5. Sectoral Labour Markets

Every major services-producing industry experienced employment gains over the reporting period except for information, culture and recreation (-1.3%). This is in contrast to the last reporting period, when the information, culture and recreation industry experienced the highest growth of industries in the services sector (+4.0%). Industries in the services-producing sector that performed particularly well in 2002/03 included business,

[15] Note that the actual number of youth employed in educational services and finance, insurance, real estate and leasing are significantly lower than the number of youth employed in trade.

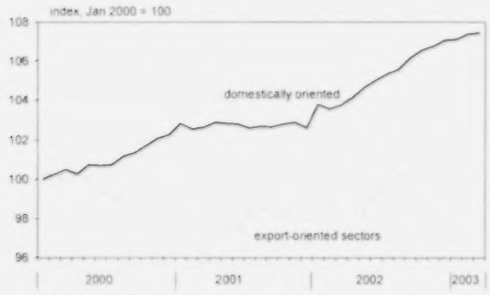
[16] Forum of Labour Market Ministers report entitled *Older Workers in the Labour Market: Employment Challenges, Programs and Policy Implications* and dated July 2002.

building and other support services (6.3%), educational services (6.2%) health care and social assistance (5.4%) and finance, insurance, real estate and leasing (3.7%).

In the goods-producing sector there was strong growth in all industries with the exception of forestry, fishing, mining and oil and gas (-6.6%). The largest increases were in agriculture (5.7%), utilities (5.7%) and construction (5.3%).

Manufacturing growth was 2.8% over the reporting period. Within manufacturing, wood products (10.1%), beverage and tobacco products (9.8%) and transportation equipment manufacturing (7.2%) experienced significant gains. The greatest declines in employment occurred in clothing, leather and allied manufacturing (-14.2%) and electrical equipment, appliance and component manufacturing (-3.6%). Computer and electronic product manufacturing continued to experience a decrease in employment (-2.0%), but nonetheless performed stronger than in 2001/02 when growth declined by 13.0%.

Chart 8: Employment in Canada by Market Orientation



Source: Statistics Canada data, seasonally adjusted by HRSD

In general, Canada's export-oriented industries faced a greater degree of instability, largely due to market conditions in the United States (refer to Chart 8). At the same time, employment in industries oriented towards the Canadian market had steady growth throughout the reporting period.

6. Provincial Labour Markets

Of the 416,100 new jobs created during the reporting period, the majority (277,200) was generated in Quebec and Ontario. New Brunswick and the western provinces also performed well and, for the first time since 1999/00, no province experienced a net job loss.

As indicated in Table 1, Quebec led all provinces with 3.6% employment growth, the province's strongest gain since 1986/87. Within the Quebec labour market, employment increased by 4.0% in the goods sector and 3.5% in the services-producing sector. All major goods-producing industries in Quebec showed significant growth with the exception of manufacturing (1.1%). The construction industry showed particularly strong growth (17.2%). Among the services-producing industries, educational services (10.9%) and business, building and other support services (9.0%) showed the most significant growth, while transportation and warehousing (-6.8%) and information, culture and recreation (-2.4%) experienced the greatest declines in employment.

New Brunswick and Saskatchewan also had employment growth of 2.9% or greater in 2002/03. New Brunswick's growth of 3.2% occurred entirely in the services sector as employment in the goods sector remained relatively stable. With the exception of educational services (-5.3%), public administration (-2.8%) and wholesale and retail trade (-1.1%), every services-producing industry in New Brunswick realized employment gains.

Table 1
Jobs Created and Employment Growth by Province

	Jobs Created ('000s)	Employment Growth
Newfoundland & Labrador	2.7	1.3%
Prince Edward Island	1.6	2.4%
Nova Scotia	6.5	1.5%
New Brunswick	10.9	3.2%
Quebec	127.1	3.6%
Ontario	150.1	2.5%
Manitoba	7.8	1.4%
Saskatchewan	13.8	2.9%
Alberta	44.7	2.7%
British Columbia	51.1	2.6%
Canada	**416.1**	**2.8%**

Employment growth in Saskatchewan (+2.9%) can also be traced to the services sector, which grew by 4.3%, while employment in Saskatchewan's goods-producing sector decreased slightly (-0.7%). Within the goods-producing sector, the most significant growth was in utilities (16.2%) while the greatest loss in employment was in the forestry, fishing, mining, oil and gas industry (-5.8%). Within the services-producing sector, educational services (12.0%) and information, culture and recreation (10.1%) experienced the highest growth, while public administration (-6.7%) and transportation and warehousing (-6.3%) had the highest employment losses.

Unemployment rates fell in six provinces and increased in four during 2002/03 (refer to Annex 1.4). The most significant increases in the unemployment rate occurred in Alberta (4.6% to 5.4%) and Newfoundland and Labrador (16.4% to 17.0%). Ontario's unemployment rate increased for the second straight reporting period (from 6.6% to 7.0%) due to the slowdown in export-oriented manufacturing, while British Columbia's unemployment rate increase (from 8.1% to 8.3%) was attributed to the slowdown in professional, scientific and technical services (-4.5%), accommodation and food services (-2.3%), public administration (2.1%) and the forestry, fishing, mining, oil and gas industry (-1.2%).

Economic Regions

The 2001 Census indicates that 79.4% of Canadians lived in an urban area with a population of 10,000 people or more, compared with 78.5% in 1996. The Census also indicates that from 1996 to 2001, the nation's population continued to concentrate further in four broad urban regions: the extended Golden Horseshoe in Southern Ontario; Montréal and its adjacent region; the Lower Mainland of British Columbia and Southern Vancouver Island; and the Calgary-Edmonton corridor. Between 1996 and 2001, these four regions combined grew by 7.6% compared with far lower or no growth (+0.5%) in the rest of the country.

The EI program divides the country into areas of similar labour market conditions, such as census metropolitan areas (e.g., Québec City, Halifax and Toronto) or areas with comparable labour market characteristics for the purpose of determining representative unemployment rates. Under the *Employment Insurance Regulations*, the boundaries of the EI regions must be reviewed at least every five years. The last revision of the economic regions was completed in 2000.

The majority of EI economic regions (39 of 58) experienced a decrease in the unemployment rate from the beginning to the end of 2002/03 (refer to Annex 1.1).[17] This is significant because the EI program is designed to be responsive to changing economic realities by adjusting EI eligibility and entitlement according to regional unemployment rates. The responsiveness of the EI program to the

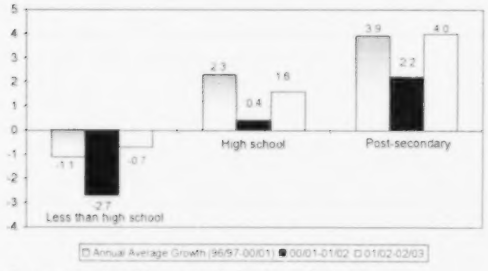
[17] The unemployment rate for Yukon, Northwest Territories and Nunavut is set at 25% for EI purposes since the territories are not included in the Labour Force Survey.

regional fluctuations in the unemployment rates is examined in Chapter 5. It is noteworthy that of the 15 economic regions that experienced increases in their unemployment rates, 10 were urban centres. The largest increases in unemployment rates were in Abbotsford (+2.0 percentage points), St. John's (+1.8 percentage points), and Québec City (+1.0 percentage point). The largest decreases in unemployment rates were more widely spread across rural communities: Bas-Saint-Laurent—Côte-Nord, Gaspésie—Îles-de-la-Madeleine, Madawaska-Charlotte, Montérégie, Central Quebec, Eastern Nova Scotia, Northern Saskatchewan, and Huron.

7. Education

Workers with a post-secondary education experienced particularly strong job growth in 2002/03 (4.0%). In contrast, employment declined by 0.7% for those with less than high school and increased by 1.6% for those who completed high school (refer to Chart 9). Employment growth for those with a post-secondary education has been consistently stronger and more stable in recent years than for those with lower educational attainment (for further information refer to Annex 1.6).

Chart 9: Employment Growth for Those Older than 15 by Educational Attainment (%)



Source: Derived from Statistics Canada data

It should be noted that while the labour market is, to some extent, characterized by highly educated knowledge workers whose skills are in demand, not all workers are in a position to capture the benefits of a strong economy.[18] In this context, research has pointed to the importance of strengthening literacy and essential skills. For example, the *1994 International Adult Literacy Survey* found that 42% of working-age Canadians—eight million adults—do not have the literacy skills necessary to cope in today's knowledge-based economy. The results also show that unemployed workers are three times more likely to be at the lowest levels of literacy than those who have stable employment.

[18] Ron Saunders, *Defining Vulnerability in the Labour Market*, Canadian Policy Research Network, November 2003. The paper provides insight into critical issues and establishes a foundation on which future research should be pursued.

This chapter provides an overview of Part I Employment Insurance (EI) benefits. The first section, *Employment Insurance Clients*, outlines changes to claims and benefits in 2002/03[1], as well as a brief account of the utilization of EI from an employer perspective. *Assisting Canadians in Facing the Risk of Unemployment*, the second section, examines income support provided through EI to individuals who lose their jobs. The third section, *Supporting Working Canadians and their Families*, examines the role that EI plays in assisting Canadians to balance work commitments with family responsibilities and personal illness.

The analysis in this chapter uses EI Administrative data and is based on a 10% sample of claims as of August 2003.[2] Throughout the chapter, data for 2002/03 is compared to 2001/02 data. Trends since 1995/96 are also discussed. More detailed information on the various elements discussed in this chapter can be found in Annex 2.

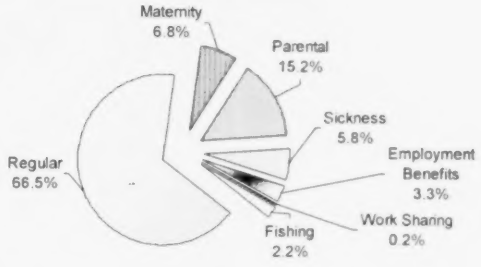
I. EMPLOYMENT INSURANCE CLIENTS

In 2002/03, the number of Ei claims decreased slightly (-3.2%) to 1.87 million, consistent with the economic recovery as discussed in Chapter 1. Total benefits paid increased by 6.9% to $12.3 billion and average weekly benefits increased to $308, up from $304 in 2001/02.

Following EI reform in 1996/97, total EI benefits paid declined annually until 2000/01. The decline was attributable to EI reform and strong growth in the economy and labour market. However, over 2001/02 and 2002/03, total EI benefits paid increased due to a temporary slowdown in the economy in 2001/02, in large part as a result of the economic fallout from September 11th.

Overall, about two-thirds of all EI income benefits paid were regular, about 28% were special benefits and the remaining 6% were related to employment benefits, fishing and Work Sharing (refer to Chart 1). The proportion of all regular and fishing claims accounted for by frequent claimants increased slightly to 35.7%.[3]

Chart 1: Total Income Benefits 2002/03
$12.3 billion



The provincial distribution of new EI claims for the reporting period shown in Table 1 indicates that nearly 60% of all EI claims were established in Ontario and Quebec. The table also highlights that average weekly benefits varied by province, from a low of $287 in Nova Scotia to a high of $368 in the Northwest Territories, reflecting variations in insurable earnings.

From a sectoral perspective, about 60% of new claims were established in the services-producing sector and 39.6% were initiated in the goods-producing sector. Within the goods sector, 31.3% of new claims were established by workers in the manufacturing and construction industries.

[1] Claims refer to new claims established in 2002/03. Some benefits paid in 2002/03, however, are associated with claims established in the previous fiscal year that were not completed.
[2] Due to the relatively small number of fishing claims, 100% of fishing claims established during fiscal year 2002/03 are used to ensure reliability.
[3] Frequent claimants are defined as claimants who have made three or more regular and/or fishing claims in the five years prior to their current claim.

Table 1
EI Claims and Average Weekly Benefit by Province (2002/03)

Province/Territory	% of all EI Claims	Average Weekly Benefit
Newfoundland & Labrador	5.1%	$298
Prince Edward Island	1.4%	$292
Nova Scotia	4.8%	$287
New Brunswick	4.9%	$289
Quebec	31.1%	$299
Ontario	28.0%	$322
Manitoba	3.1%	$292
Saskatchewan	2.4%	$300
Alberta	7.5%	$325
British Columbia	11.4%	$317
Nunavut	0.1%	$334
Northwest Territories	0.1%	$368
Yukon	0.2%	$350
Canada	**100%**	**$308**

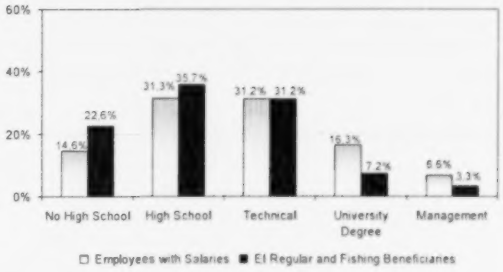
EI claims by women remained relatively stable at about 46% of total claims. The number of claims fell for both women and men in 2002/03 by 2.7% and 3.6%, respectively. Benefits paid, however, increased by 13.7% for women and by 1.6% for men. The significant rise in benefits paid to women can be traced to increases in both regular (6.1%) and special (23.1%) benefits paid. Although parental benefits paid to men increased by 47.3%, this did not have the same impact on the amount of benefits paid as the majority of parental claims continue to be established by women.

Youth claims decreased by 5.7% in 2002/03 while the number of claims by older workers grew by 3.9%.[4] The increase in claims by older workers is consistent with the increase in the unemployment and participation rates for this group as outlined in Chapter 1. Youth experienced an increase in the unemployment rate and a decrease in EI claims.

In 2002/03, a total of 182,890 clients from low-income families received higher weekly benefits as a result of the Family Supplement.[5] The number of EI claims with the Family Supplement decreased by 2.4% relative to 2001/02, although total benefits increased by 3.8% to $182.5 million in 2002/03. The reasons for the decline in the number of claims eligible for the Family Supplement will be discussed in Chapter 5. The average weekly top-up remained stable at $42.

The importance of education and the increased demand for high-skilled workers were noted in Chapter 1. Findings indicate that EI regular and fishing clients with less formal education are more likely to receive EI benefits as compared to workers with a university degree and those in high-skilled managerial positions (refer to Chart 2).

Chart 2: Distribution of All Employees with Salaries and EI Beneficiaries, by Education (2002/03)



Employers

Just over 1 million firms contributed approximately $11.4 billion in EI premiums in 2000.[6] Firms with 500 employees[7] or more represented less than 1% of all businesses but

[4] Youth are defined as workers under the age of 25 and older workers refer to those 55 years of age and older.
[5] Refer to Annex 1 of the *2000 Monitoring and Assessment Report* for detailed information on the Family Supplement provision.
[6] As premiums payment is administered through the tax system, the most recent data available is for the 2000 taxation year.
[7] The number of employees is obtained by dividing the total payroll observed on T4 slips from each firm by the appropriate estimate of average annual earnings from Survey of Employment, Payrolls and Hours (SEPH) from Statistics Canada. This measure is referred to as "average labour unit." It represents the average number of persons employed by a firm over the course of the year, with no distinction being made between part-time and full-time employees.

accounted for 46.1% of all employees. These large firms contributed 50.7% ($5.8 billion) of all employer EI premiums in 2000. In contrast, firms with 1 to 4 employees, representing 8.1% of all employees, paid 6.2% of all employers' premiums. Annex 2.15 provides detailed information on EI premiums paid by employers and employees.

The provincial shares of employers' premiums were consistent with provincial shares of employees in total employment. For example, employers in Ontario contributed 41.1% of all premiums on behalf of 5.2 million employees or 39.3% of the Canadian work force. Employers in Quebec, with close to 3 million employees or 22.7% of the Canadian work force, paid 23.1% of all employers' premiums.

Annex 2.15 also indicates that manufacturing firms, which represent 16.7% of all employees, contributed 19.4% ($2.2 billion) of all employers' premiums. In contrast, retail trade, representing 12.2% of all employees, paid 8.1% ($900 million) of all employers' premiums due to lower wage rates and a higher proportion of part-time workers. It is noted in Chapter 5 that employees in manufacturing are much more likely to collect EI benefits than those in retail.

II. ASSISTING CANADIANS IN FACING THE RISK OF UNEMPLOYMENT

A key objective of EI is to provide temporary income support to insured Canadians who involuntarily lose their jobs. The EI program is specifically designed to be responsive to changes in local labour markets by adjusting entrance requirements and the duration of regular benefits when regional unemployment rates change in any of the 58 designated EI economic regions (refer to Annex 1.1).

1. Regular Benefits

In 2002/03, the number of new regular EI claims decreased by 3.5% to 1.428 million. The decline reflects the economic recovery reported in Chapter 1. Benefits paid to regular beneficiaries increased by 2.5%, from $8.0 billion to $8.2 billion. The rise in benefits paid was attributable to several factors: a slight increase in the average weekly benefit (+1.5%) from $305 to $309; an increase in average weeks paid; and the fact that a portion of benefits paid in 2002/03 were associated with the increase in claims in the previous reporting period.

Regional changes in new claims reflected the economic realities outlined in Chapter 1. New claims decreased significantly in Nunavut (-21.3%), British Columbia (-7.1%) and Ontario (-5.8%), with more modest decreases in Manitoba (-4.3%), Quebec (-4.1%), Prince Edward Island (-3.8%) and New Brunswick (-3.8%). Claims remained relatively stable in Nova Scotia (0.2%) and Saskatchewan (0.1%) in 2002/03. New claims increased significantly in the Yukon (23.3%), the Northwest Territories (17.1%) and Alberta (6.5%), with a more modest increase in Newfoundland and Labrador (3.0%).

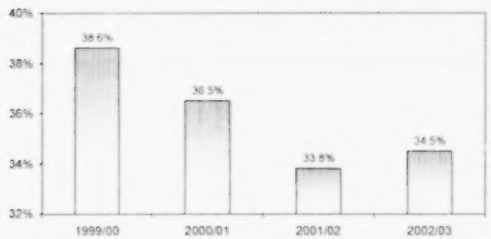
Claims in the goods-producing sector declined by 5.8% and claims in the services-producing sector fell by 1.9% in 2002/03. Within the goods sector, claims in manufacturing industries decreased by 12.3%, following an increase of 7.1% in the previous reporting period. Service industries that experienced large decreases were wholesale trade (-10.1%), transportation and storage (-8.4%) and business services (-6.7%).

Regular claims decreased for both women (-2.7%) and men (-4.1%) in 2002/03. The larger decrease in men's claims reflects the slightly stronger growth in the goods-producing sector where men are more highly represented

(more than three-quarters of workers in the goods-producing sector are male) and the stable unemployment rate for men.

The average number of insurable hours worked by individuals who accessed regular benefits remained relatively stable (+0.8%) in 2001/02[8] but has increased each year since EI reform (from 1,220 in 1995/96 to 1,370 in 2001/02).

Chart 3: Frequent Claims as a Percentage of Regular Claims



The proportion of regular claimants frequently accessing the program increased during the reporting period from 33.8% to 34.5% (refer to Chart 3). In previous reports we noted that the volume of frequent claims is less likely to be influenced by fluctuations in economic cycles. Evidence in this report supports this notion as frequent claims declined slightly (-1.5%) in 2002/03, while first-time and occasional claimants decreased much more significantly by 6.7% and 2.3%, respectively. As mentioned in previous reports, men continued to file two-thirds of all frequent claims. Regionally, the largest increases in the number of frequent claims occurred in Alberta (+5.9%), Saskatchewan (+4.5%) and Newfoundland and Labrador (+4.4%). The largest declines in frequent claims were in British Columbia (-5.8%), Quebec (-3.0%) and Ontario (-1.8%).

About 81% of all frequent regular claimants had a "seasonal" pattern of making claims.[9] Seasonal frequent claims remained stable (+0.8%) in 2002/03 while that of non-seasonal frequent claims declined significantly (-10.1%), consistent with the economic recovery. An analysis of seasonal patterns of making claims irrespective of the claimants' frequency of claiming benefits indicates that there is a significant degree of variation across the country. As indicated in Table 2, a greater proportion of EI regular beneficiaries make seasonal claims in provinces where seasonal industries play a predominant role in their economies. Seasonal claims varied from a low of 14.9% in Nunavut to a high of 56.9% in Prince Edward Island. In contrast, seasonal claims in Alberta and Ontario accounted for only 18.4% and 23.3% of all regular claims, respectively.

Table 2
Seasonal Claims as a Percentage of Regular Claims by Province (2002/03)

Province/Territory	Seasonal Claims as a %
Newfoundland & Labrador	53.8%
Prince Edward Island	56.9%
Nova Scotia	43.2%
New Brunswick	54.5%
Quebec	36.7%
Ontario	23.3%
Manitoba	31.5%
Saskatchewan	34.9%
Alberta	18.4%
British Columbia	25.7%
Nunavut	14.9%
Northwest Territories	29.2%
Yukon	32.7%
Canada	**33.0%**

[8] Insured hours in 2001/02 were examined to reflect the fact that claims established in 2002/03 were based on insurable employment in the previous year.

[9] Individuals who started previous claims at about the same time of the year as their current claim are considered seasonal claimants.

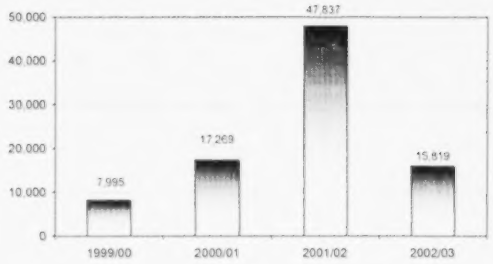
2. *Work Sharing*

Work Sharing is designed to help employers and workers avert temporary layoffs. The measure provides income support to workers eligible for EI benefits and who are willing to work a temporary reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer.[10] Work Sharing agreements must be approved by both employee and employer representatives and by the EI Commission and can range in duration from 6 to 26 weeks with an extension of up to a maximum of 38 weeks.

Work Sharing agreements benefit employers by allowing them to stabilize their work force, to retain skilled employees and to avoid the costly process of recruiting and training new employees when business returns to normal levels. Employees benefit by retaining their jobs and receiving EI income benefits for the days without work. It should be noted that if a worker is laid off subsequent to Work Sharing, his/her entitlement to EI regular benefits is unaffected by the receipt of Work Sharing benefits.

A recent study confirmed that usage of Work Sharing has a stabilization effect.[11]
EI Administrative data shows that use of Work Sharing decreased significantly in 2002/03, reflecting the economic recovery outlined in Chapter 1. Chart 4 indicates that there were 15,819 new Work Sharing claims in 2002/03 representing a significant decrease of 67% from the previous reporting period. In the previous reporting period, however, the program was used considerably due to the events of September 11th. In fact, the transportation industry, which signed the largest Work Sharing agreement to that date, made extensive use of the program during 2001/02. During this time period, the Work Sharing program was also inundated with applications from the travel, high-tech and auto-related industries as well as other industries affected by lagging consumer confidence. The Work Sharing program has proven itself to be particularly useful in supporting the labour market through times of unexpected labour market interruptions, such as September 11th.

Chart 4: New Work Sharing Claims



In 2002/03, the average Work Sharing claim lasted approximately 13.4 weeks compared to 18.8 weeks in 2001/02, and paid an average weekly benefit of $55, slightly less than that in 2001/02 ($56). Average work reduction was about 28%, or 1.5 work days per week for a full-time employee.

Administrative data on the Work Sharing program show that it is used extensively in the manufacturing sector and increasingly in the service sector. The vast majority of Work Sharing claims were in Ontario and Quebec, but all regions participated. In 2002/03 the Work Sharing program averted or postponed approximately 4,400 layoffs.

3. *Fishing Benefits*

Three federal organizations contribute either directly or indirectly in the regulations

[10] Information on the Work Sharing program is available on the Human Resources and Skills Development Web site at http://www.hrsdc.gc.ca/en/epb/sid/cia/grants/ws/desc_ws.shtml

[11] Forthcoming study - *Usage of the Work Sharing Program: 1989/90 to 2002/03*, Audit and Evaluation Directorate, HRSD.

surrounding the participation of individuals in the commercial fishery or in EI fishing benefits: Fisheries and Oceans Canada, Human Resources and Skills Development, and the Canada Revenue Agency. Fisheries and Oceans Canada controls access to the fishery to ensure the sustainable development of aquatic resources by issuing fishing licenses. A fishing license entitles the license holder to harvest an amount of fish. Prior to receiving a license, an individual must meet specific eligibility criteria established by Fisheries and Oceans Canada. Fishing licenses for vessels less than 19.8 metres in length require the license holder to fish his or her license personally. For vessels over 19.8 metres in length, the license can be issued to either an individual or a corporation and allows for the employment of other individuals in harvesting the quota. Fisheries and Oceans Canada requires all individuals on board a fishing vessel to be registered; however, due to a federal-provincial agreement, registration is not enforced in Newfoundland and Labrador and Quebec. These two provinces have adopted legislation where independent professional boards have been granted the authority to certify fishers. Since the provincial information on the number of fishers certified by these professional boards is not shared with Fisheries and Oceans Canada, the number of individuals who earn income from the commercial fishery cannot be determined or managed with respect to Fisheries and Oceans Canada's sustainable development policy of reducing the number of individuals participating in the commercial fishery.

Not every individual who engages in harvesting fish in the commercial fishery is eligible for EI fishing benefits. EI fishing benefits are available for self-employed fishers only, as determined by the Canada Revenue Agency.

According to the Canada Revenue Agency, an individual is considered a self-employed fisher if he or she:

a. participates in making a catch;

b. is not fishing for his/her own or another person's sport; and

c. meets at least one of the following conditions:

   i. owns or leases the boat that is used to make the catch;

   ii. owns or leases specialized fishing gear (not including hand tools or clothing) used to make the catch;

   iii. holds a species license issued by Fisheries and Oceans Canada, which is necessary to make the catch; or

   iv. has a right of ownership to all or part of the proceeds from the sale of the catch, and is responsible for all or part of the expenses incurred in making the catch.

Given these criteria, sharing in a small part of the cost of any expenses, such as fuel, will render an individual a self-employed fisher. As a self-employed fisher, such an individual will be able to access EI fishing benefits more easily than if deemed an employee and required to meet the entrance requirements for EI regular benefits.

Claims

Although fishing claims represent only 1.9% of all EI claims, they play an important role in supporting communities that depend on the fishing industry. The Canadian fishing industry is generally located in communities where there are limited employment opportunities.

In 2002, the primary fisheries production reached a record $2.2 billion.[12] Revenues from the fishery have increased in recent years,

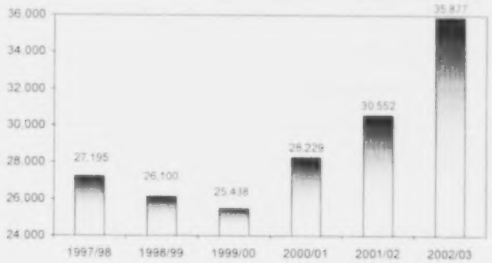
[12] The figure of $2.2 billion reflects revenues from harvesting as these revenues are associated with self-employed fishers. There was an additional $639.0 million in aquaculture; however, these revenues are associated with paid employees who are not covered under the fisher's EI program.

along with changes in the composition of the catch. Declining groundfish stocks in Atlantic Canada and salmon stocks on the Pacific coast over the past decade signalled important changes in Canada's fishing industry. Shellfish now constitute 85% of the value of the commercial fishing industry in Atlantic Canada, while in British Columbia all species groups contribute almost equally to the value of the Pacific fishery.

Data from Fisheries and Oceans Canada indicate that overall, the value of the catch has increased at a higher rate than the landings over the period 1996 to 2002. Total landings of commercial fisheries in 2002 totalled 1,100,516 tonnes, increasing by 14.5% from 1996. In the same six-year period, the value of the catch increased by 20% from $1.8 billion in 1996 to $2.2 billion in 2002.[13] Data also indicate that between 1996 and 2002, the number of vessels in Canada's commercial fishing fleets decreased by 19.9%, which contributed to the increased average landing value within fleet sectors over the same period. In Atlantic Canada, for example, the average landing value of all vessels increased by 68% between 1996 and 2002. For smaller vessels under 35 feet, the increase was 66.8%, while large off-shore trawlers saw an increase of 42.5% during the same period.

In 2002/03, the number of fishing claims increased by 17.4%, or 5,325 claims to 35,877 over the previous reporting period. This represents the third consecutive year that fishing claims have risen significantly (refer to Chart 5). Claims increased in all major fish-producing provinces, with the most substantial increase in Newfoundland and Labrador (27.8%) and more moderate, yet still substantial increases in Nova Scotia (16.0%), New Brunswick (9.6%), Prince Edward Island (9.4%) and British Columbia (7.8%). Fishing claims in Quebec increased slightly (2.3%). Claims by men increased by 16.9%, from 25,677 to 30,005, while claims by women increased by 20.5%, from 4,875 to 5,872.

Chart 5: New Fishing Claims



As discussed in the *2002 Monitoring and Assessment Report*, the legislative changes following EI Reform made it possible for fishers to establish two claims for benefits during the same year. HRSD has made efforts to advise fishers of the possibility of establishing two fishing claims a year. As a result, the number of multiple claims has been rising in recent years.

Results for 2002/03 show that 30.9% of fishing claimants had two claims during the reference period. The number of men establishing multiple claims was 7,604 in 2002/03, while 860 women had multiple claims over the same period. Provincially, in Quebec, Prince Edward Island, Newfoundland and Labrador and New Brunswick, about 40% of fishing claimants made two claims. British Columbia was the only major fish-producing province that did not follow this pattern with only 3.6% of fishers filing two claims.

Frequent claimants comprised 84.6% of fishing claims in 2002/03, up from 82.3% in 2001/02. Frequent claims increased by 20.8% in 2002/03, following a 15.5% increase in 2001/02. It should be noted that this represents the fourth consecutive reporting period that fishing claims

[13] Please note that earnings are in constant 2002 dollars. For more data on the Canadian fishing industry, please refer to the Fisheries and Oceans Canada Web site at http://www.dfo-mpo.gc.ca/index.htm.

established by frequent claimants increased. Provincially, the most notable increase in frequent claimants occurred in Newfoundland and Labrador (33.8%), with marked increases in Nova Scotia (16.8%), New Brunswick (10.3%), British Columbia (9.7%) and Prince Edward Island (9.2%). A smaller increase was also recorded in Quebec (3.2%).

Benefits

Fishers received $270.9 million in EI fishing benefits in 2002/03, an increase of 9.7% over 2001/02, reflecting the rise in the number of fishing claims. Total fishing benefits paid increased in all of the major fish-producing provinces. The most significant increases in fishing benefits paid occurred in Newfoundland and Labrador (13.7%) and Nova Scotia (12.4%).

In 2002/03, average weekly benefits for fishers in each major fish-producing province were stable at $380. This is almost 25% higher than average weekly benefits of regular claimants ($309), reflecting the fact that fishers generally earn their annual income over a relatively short period of time, which translates into higher weekly earnings.

Average duration on claim decreased from 22 weeks to 21 weeks per claim for all fishers in 2002/03. Among the major fish-producing provinces, average durations ranged between 20 and 23 weeks. In the case of multiple claimants, average duration was 18 weeks on each of the two claims, only 3 weeks below the overall per claim average. This translates into an average of 36 weeks of benefits per year for multiple claimants.

III. SUPPORTING WORKING CANADIANS AND THEIR FAMILIES

1. Overview

The EI program has evolved to recognize employment risks, other than involuntary job loss, such as those associated with childbirth and adoption, parenting, illness, and most recently, the terminal illness of an immediate family member. These circumstances are discussed in this section.

The EI program currently provides three types of special benefits designed to support workers when they experience an interruption of earnings due to illness, childbirth or parenting. Sickness benefits are payable to claimants who are unable to work due to illness or injury to a maximum of 15 weeks. Maternity benefits are payable to biological mothers for work missed as a result of pregnancy and childbirth to a maximum of 15 weeks. Parental benefits are payable to biological and adoptive parents who experience a separation from work to care for a newly born or adopted child to a maximum of 35 weeks. Commencing January 2004, six weeks of EI compassionate care benefits are payable to workers who take a temporary leave from work to provide care or support to a gravely ill or dying child, parent or spouse.

As indicated in the previous two reports, changes were made to enhance the duration, flexibility and accessibility of parental benefits effective December 31, 2000.[14] This report represents the second full reporting period for which enhanced parental benefits were available. It is also important to note that Bill C-49, introduced on March 27, 2002, changed both the period for claiming special benefits and the maximum number of

[14] Duration of parental benefits was increased from 10 to 35 weeks. Accessibility was also improved by reducing the entrance requirement for all special benefits from 700 to 600 hours of insurable employment. Finally, flexibility was improved by allowing parents sharing benefits to serve only one two-week waiting period; and by allowing parents to earn the greater of $50 or 25% of their weekly parental benefits without losing benefit dollar for dollar.

combined weeks of special benefits from 50 to 65 weeks under certain circumstances.[15]

In 2002/03, there were 477,050 new special benefit claims, an increase of 2.4% from 2001/02. Similar to previous reporting periods, women continued to account for almost three-quarters (71%) of all special benefits claims.

Total special benefits payments increased by $617.3 million or 22.0% to $3.4 billion in 2002/03, reflecting the maturation of changes made to parental benefits in 2000. As a result of the increase in parental entitlement (35 weeks), special benefits paid as a proportion of total income benefits increased to 27.8% from 24.4% in 2001/02 and 13.6% prior to EI reform (1995/96). The average weekly benefits for all special benefit claims increased by 2.4% to $294.

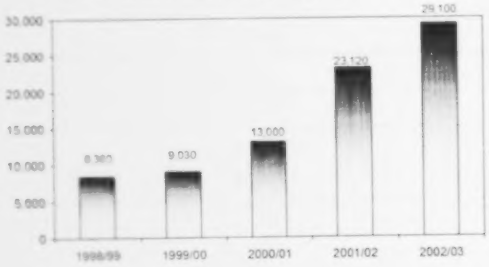
2. *Maternity Benefits*

Claims for maternity benefits decreased slightly (-1.2%) from 193,020 to 190,720 in 2002/03. Total benefit payments remained stable (-0.7%) as the average weekly benefit rate ($301) for maternity claims increased by 2.2% over 2001/02. The average number of weeks for which maternity benefits were paid also remained relatively stable at 14.5 weeks, or 96.7% of the maximum entitlement of 15 weeks.

3. *Parental Benefits*

Claims for parental benefits increased by 1.7%, from 211,270 to 214,850, in 2002/03, making this the third consecutive year that parental claims have exceeded maternity claims. Biological parental claims by men increased by 25.9% in 2002/03, increasing from 23,120 to 29,100 (refer to Chart 6). For the first time since 1997/98, the number of biological parental claims by women decreased by 1.4% from 185,550 to 182,990, a reflection of the decline in maternity claims. It is also noteworthy that the number of parental claims for adoption increased by 6.2%, from 2,600 to 2,760, over the previous reporting period, representing the third consecutive year that parental claims for adoption have risen.

Chart 6: Number of Fathers Claiming Parental (Biological) Benefits



This is the first reporting period that allows a full account of benefit expenditures for the enhanced parental benefits, as all claims in the reporting period fell under the new regime. Total benefit payments increased by 43.9% to $1.87 billion, which is mainly attributable to the maturing effect of the enhancements made to parental benefits. The average weekly benefit for biological parents was $314, an increase of 2.6%, while the average weekly benefit for adoptive parents was $357, up by 1.8% from the previous reporting period.

The average duration of parental (biological) benefit leave taken, although down slightly (-1.4%) from 2001/02, remained high at 27.8 weeks,[16] or 79.4% of entitlement. When combined with maternity benefits and the waiting period, it can be said that biological

[15] Prior to Bill C-49, claimants could receive a maximum of 50 weeks of special benefits. Effective March 3, 2002, these provisions ensure full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.

[16] To ensure that the analysis of weeks paid is based on completed claims, the data cover all claims commencing during the first half of the reporting period.

parents are using at least 85.2% of the full year available to them.[17] Adoptive parents in receipt of parental benefits were on claim for an average of 25.8 weeks or 73.7% of their 35-week entitlement, a decrease of 7.8% from 2001/02.

The increasing share of parental (biological) claims made by men (from 11.1% in 2001/02 to 13.7% in 2002/03) demonstrates that parents are sharing the enhanced parental benefit. The majority of new parental claims (86.3%) continues to be established by women. In addition, women received an average of 30.0 weeks of benefits while men averaged 13.8 weeks per claim for biological parental benefits. It should be noted that the lower average duration for men further suggests that the majority of men is sharing the benefit.

4. Sickness Benefits

In 2002/03 the number of sickness claims increased by 5.5% relative to the previous reporting period. Total payments for sickness benefits increased by 7.8% to $719.3 million while the average weekly benefit level for sickness claims was $276, an increase of 2.0% over 2001/02. The average number of weeks for which sickness benefits were paid remained relatively stable (+2.1%) at 9.6 weeks, or 64% of entitlement.

During the reporting period, sickness claims increased by 7.1% for women and 3.2% for men. While their share of sickness claims remained relatively stable (increased by 0.9 percentage points) in 2002/03, women continued to account for the majority of sickness claims at 59%. Sickness claims increased for all age groups during the reporting period by 5.2%, 5.3% and 6.4% for youth, prime age, and older workers, respectively.

[17] The percentage of entitlement used is calculated as the average of maternity and parental benefits weeks paid combined with the 2-week waiting period expressed as a proportion of 52 weeks (the maximum duration of a maternity/parental EI claim). Note that this figure is conservative in that most men share the benefit with their spouse, lowering the overall average. If it were possible to link maternity/parental benefit utilisation by couples, it would more accurately depict the overall use of the new enhanced parental benefit.

Chapter 3 – Employment Benefits and Support Measures and National Employment Service

Activities funded under Part II of the *Employment Insurance* (EI) *Act* represent important contributions to building the skills that Canadians require to achieve labour market success. Such activities include services provided by the National Employment Service (NES) and Employment Benefits and Support Measures (EBSMs). They also include similar benefits and measures in regions where responsibilities have been transferred to provincial or territorial governments under Labour Market Development Agreements (LMDAs) and to Aboriginal groups under the Aboriginal Human Resources Development Strategy (AHRDS).[1] These activities are diversified so that they can be used to address the differing needs of clients and labour market conditions and also, in some instances, provide assistance in times of economic uncertainty. Throughout this chapter, references to EBSMs include similar benefits and measures delivered by provinces and territories and Aboriginal Human Resources Development Agreements (AHRDA). Data for 2002/03 are compared to data for 2001/02, unless otherwise noted.[2]

I. OVERVIEW

1. *Active Measures*[3]

Part II of the EI Act helps to maintain a sustainable employment insurance system through the establishment of Employment Benefits, Support Measures and the maintenance of a National Employment Service for all Canadians. Under Part II, active employment measures are divided into two main categories: 1) Employment Benefits, and 2) Support Measures in support of the NES. Employment Benefits are available only to insured participants (active and former EI clients) and generally involve long duration interventions with clients and are referred to as Employment Programs. Employment programs include Targeted Wage Subsidies (TWS); Self-Employment (SE); Job Creation Partnerships (JCP); and Skills Development (SD).[4]

The National Employment Service was established to help workers find suitable employment and employers find suitable workers. It also provides services such as career counselling, résumé writing, guidance on job search techniques and access to labour market information (LMI) and other self-serve options. For example, the National Employment Service delivers Individual Counselling and Employment Group Services to individuals in need of such assistance.

Three Support Measures have been established in support of the NES. Employment Assistance Services (EAS) is generally a short duration intervention for all unemployed individuals. These activities are referred to as Employment Services. Labour Market Partnerships (LMP) is a mechanism through which assistance is provided to contribution agreement holders to carry out human resources planning and labour force adjustments. Research and Innovation (R&I) is used to conduct research that looks at innovative ways to assist people to prepare for, obtain and maintain employment.

[1] Please refer to Annex 3.1 and 3.2 for more information on LMDAs and the AHRDS.
[2] Numbers quoted throughout this report may differ from those published in HRSD's Departmental Performance Report (DPR). The DPR is based on information available at the end of September and does not necessarily reflect year-end figures.
[3] Please see Annex 3.2 for eligibility criteria and Annex 3.3 for further information on active measures.
[4] Apprentices are a subset of Skills Development. This relates to the fact that, in some jurisdictions, apprentices may receive Part II SD funding to cover additional training related expenses. Further, in some jurisdictions, funds are transferred to the province/territory to cover the cost of training incurred by provinces providing training through public institutions.

2. Priorities and EBSM Use

In all jurisdictions there is a clear recognition of the growing demand for more skilled workers. By 2004, it is projected that 70% of all new jobs in Canada will require some form of a post-secondary education and only 6% of new jobs will go to people who have not finished high school. Despite this, nearly eight million adult Canadians have low, or very low, literacy levels. Employers routinely draw attention to specific skills that are in short supply and job vacancies that they cannot fill. Those facts, combined with the needs of specific groups and communities, led to significant investments in activities designed to enable individuals to build their skills and position themselves to better meet the needs of employers.

As stated in Chapter 1, job growth during 2002/03 was strong. The unemployment rate remained largely unchanged from that reported in the previous reference period. In this context, the common priorities espoused by the Department, provinces and territories are:

- helping individuals to receive the proper training for the right jobs, including self-employment;
- addressing the needs of individuals that are at the greatest risk;
- providing timely and accurate labour market information; and
- ensuring that the diverse needs of individuals are met through an appropriate balance of Employment Benefits and Support Measures.

To address these priorities, certain operational directions came to the fore during 2002/03 that reflect the importance of skills and learning and partnership. These included:

- a focus on higher level Skills Development interventions to address future skills shortages;
- focused investments in growth sectors where there is greater opportunity for labour market attachment;
- strengthened links with agreement holders and community organizations;
- an emphasis on the provision of career counselling services to clients with greater employability needs; and
- increasing service to former EI claimants.

3. Clients

During 2002/03, excluding self-serve options, 637,754 individuals accessed EBSMs (please refer to Annex 3.5 for detailed client data). Women accounted for 43.6% of the EBSM client base, which is slightly more than in 2001/02. Those in the 20-24 age grouping represented the largest cohort of clients in the EBSMs at 15.5%. Older workers represented 5.9% of the clients served through EBSMs during 2002/03. Overall, clients participated in 895,887 interventions with each client, on average, taking part in 1.4 interventions.

Table 1
EI Part II Clients served by client types

	2001-2002	2002-2003	Variance
Active EI Clients	356,249 (62.5%)	396,397 (62.2%)	+40,148 (+11.3%)
Former EI Clients	73,487 (12.9%)	78,214 (12.3%)	+4,727 (+6.4%)
Non-insured Clients	140,464 (24.6%)	163,143 (25.6%)	+22,679 (+16.1%)
Total	570,200 (100%)	637,754 (100%)	+67,554 (+11.8%)

Although fewer EI claims were established in 2002/03 than in 2001/02, all client groups showed an increase in clients served under Part II (refer to Table 1). The increase in client data can be explained by several factors. Data capture, notably case management

documentation, has been improved. As there is an ongoing concern with respect to this issue, jurisdictions make a concerted effort to emphasize to local offices the importance of data capture. Also, a slight revision to how Employment Group Services were counted increased the active client count by approximately 20,000 clients, which represents 50% of the increase. A strong labour market also played a part in this increase. Positive labour market conditions can contribute to encouraging unemployed workers' request for service to help them get back to work quickly. Finally, another factor that may explain the increase in client activity relates to awareness. Since EI reform occurred in 1996, it can be assumed that client awareness surrounding EI Part II has improved.

The number of non-insured clients served through Part II, who had access only to employment services, increased significantly from the previous reporting period (+16.1%). All of the factors stated above explain the increase in overall clients, except those relating to Employment Group Services, also explain the increase in the number of non-insured clients. Increases occurred in all jurisdictions with the exception of New Brunswick, where a new system was implemented.[5]

Clients served data show that the emphasis in 2002/03 was largely focused on active claimants.[6] As was reported last year (excluding non-insured clients), the split between active and former claimants is approximately 80% and 20% respectively. However, analysis of client type is complex due to several factors. For example, some active claimants may have almost exhausted their Part I benefits when they start Part II activities. Also, when clients participate in longer interventions, they are more likely to exhaust their Part I benefits. Finally, it should be noted that some clients participating in interventions may have a dual status (i.e., they are EI active clients and social assistance recipients at the same time). Such mutual clients are given priority in some jurisdictions.

Service to former claimants ranges from a high of 23.5% in Saskatchewan to a low of 9% in Ontario.[7] An analysis of referral data provides a partial explanation of this: the referral of EI active claimants is more systematic than the referral process of former claimants. Other important factors that influence this ratio are the targeting and referral processes, which differ significantly between jurisdictions.

Financial factors may also play a part here as many jurisdictions already expend all or most of their allocations with the current balance between active and former claimants. This poses a challenge in targeting and reaching former claimants whose proportion is the lowest of all three client groups. Former claimants participating in benefits are funded entirely through EI Part II, which is not the case for EI active clients in receipt of Part I income benefits. It should also be noted that the Part II allocation has remained at $1.95B for the last three reference periods.

4. Designated Groups

Table 2 and Annexes 3.7 to 3.10 provide detailed participation data for designated groups. Nationally, the participation level of all designated groups increased slightly from the previous reference period. It is important to note that data for designated groups is based on self-identification. However, the data

[5] Data for Nunavut were excluded from this analysis as the sample size was too small.
[6] The client type (active, former, non-insured) is determined before an intervention begins and is not reassessed even if the status of the client changes while participating in an intervention.
[7] Data for Nunavut were excluded from this analysis.

can provide a general indication of trends in designated group participation.

The participation of designated groups in programs and services, and the changes between 2001/02 and 2002/03 are as follows:

Table 2
Designed Group Participation in EBSM Interventions*

	2001-2002	2002-2003	Variance**
Women	44.6%	45.3%	+0.7
Persons with Disabilities	3.8%	4.7%	+0.9
Aboriginal Peoples	6.6%	7.1%	+0.5
Visible Minorities	5.1%	6.0%	+0.9

* Based on data contained in Annexes 3.7-3.10
** Calculated in percentage points

Employment Programs

The overall participation of designated groups in programs remained similar to that reported in 2001/02.

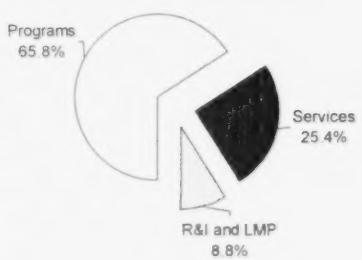
- The participation of women in programs increased by 0.1 percentage points to account for 35.8% of program interventions. It is important to point out that apprenticeship data, where the participation rate of women and men is historically quite different, acts to lower the overall participation of women in employment programs. Without apprenticeship data, the participation of women in programs is 45.3%, which is about a percentage point higher than in 2001/02.
- For programs, the remaining designated groups were stable:
  - Persons with Disabilities → 2.3%;
  - Aboriginal Peoples → 2.5%;
  - Visible Minorities → 3.0% (+0.2 percentage points).

Employment Services

The participation of designated groups in services increased modestly for all of the designated groups with the largest increase being in the participation of persons with disabilities.

- Women's participation increased 0.4 percentage points to 48.2%.
- The participation of persons with disabilities increased by 1.0 percentage point to 5.4%.
- Aboriginal peoples increased their participation by 0.7 percentage points to 5.8%.
- Participation of self-identified visible minorities in services increased by 0.9 percentage points to 6.9%.

Chart 1 : Expenditures



5. *Interventions and Pan-Canadian Activities*

"Interventions"[8] include the full range of employment programs and employment services that are provided under EBSMs, Employment Group Services and Individual Counselling. In general, employment programs are longer in duration than employment services and, as shown in Chart 1, involve a

[8] Note that the number of interventions is not representative of the number of clients (individuals) served. For example, one client may have two separate interventions, thus resulting in a client count of one but an intervention count of two.

greater investment of funds. The program or service used is dependent on the needs and preferences of clients, as well as the opportunities that exist in the labour market. The interventions reported are those that began between April 1, 2002 and March 31, 2003.

Employment Programs

During the reference period, the overall use of employment programs declined by 4.7% to 176,576, compared to 185,322 interventions in 2001/02. As can be seen in Table 3, although Self-Employment and Job Creation Partnerships increased, this was not sufficient to offset decreases in Targeted Wage Subsidies and Skills Development (please refer to Annex 3.6 for a breakdown by jurisdiction). It should be noted that not all provinces showed this same trend. For example, Newfoundland and Labrador showed significant increases in Skills Development while Targeted Wage Subsidies increased in Nova Scotia and British Columbia. Alberta recorded increases in both.

Table 3
Employment Program Interventions

	2001-2002	2002-2003	Variance
Targeted Wage Subsidies	28,651 (15.5%)	24,566 (13.9%)	-4,085 (-14.3%)
Self-Employment	12,156 (6.6%)	13,675 (7.7%)	+1,519 (+12.5%)
Job Creation Partnerships	10,073 (5.4%)	10,520 (6.0%)	+447 (+4.4%)
Skills Development Regular	93,222 (50.3%)	86,926 (49.2%)	-6,296 (-6.8%)
Skills Development Apprentices	41,220 (22.2%)	40,889 (23.2%)	-331 (-0.8%)
Total	185,322 (100%)	176,576 (100%)	-8,746 (-4.7%)

The overall decline in program interventions may be partially explained by the fact that in positive labour market conditions people prefer to take advantage of increased employment opportunities rather than investing time in long duration programs. This is reflected in the large increase (18.4%) in the number of service interventions that provide help in matching largely job-ready clients with available jobs. The decline may also be linked to the decrease in the number of new claims resulting from positive labour market conditions, which translates into fewer suitable clients for support through programs. Another factor that may also be at play here relates to the rising costs associated with training and other inflationary factors. Findings from future evaluations may provide more information with respect to the use of programs and services.

Even though program activity declined, expenditures on programs increased slightly (1.2%) to reach $1.27B. However, expenditures on Job Creation Partnerships, Self-Employment and Targeted Wage Subsidies followed the pattern seen in intervention activity as Job Creation Partnerships and Self-Employment increased while Targeted Wage Subsidies decreased. It should be noted that individuals also received $408.9M of Part I benefits while taking part in Self-Employment, Job Creation Partnerships and Skills Development (please refer to Annex 3.11).

Table 4
Employment Program Expenditure
(000)*

	2001-2002	2002-2003	Variance
Targeted Wage Subsidies	$111,308 (8.9%)	$108,395 (8.6%)	$-2,913 (-2.6%)
Self-Employment	$125,192 (10.0%)	$133,972 (10.6%)	$+8,780 (+7.0%)
Job Creation Partnerships	$69,217 (5.5%)	$77,874 (6.2%)	$+8,657 (+12.5%)
Skills Development	$945,486 (75.6%)	$945,668 (74.7%)	$+182 (0.0%)
Total	$1,251,203 (100%)	$1,265,909 (100%)	$+14,706 (+1.2 %)

* Please refer to Annexes 3.11-3.13 for expenditure details for all EBSMs

Skills Development and Apprenticeship accounted for 72.4% of all program activity, which reflects the importance placed on training by provinces/territories and the Department. Skills Development itself accounted for about half of the program interventions.

Nationally, Skills Development expenditures remained stable despite a decline in intervention activity. In addition to factors discussed above, Skills Development generally entails longer interventions that span more than one fiscal year, resulting in carry-over of expenses from one year to the next while the intervention is only counted in the first year.

Analysis of the 2002/03 and 2003/04 carry-over data for co-managed regions and Ontario shows a relatively stable situation. At the beginning of 2002/03, carry-over levels were higher in Ontario and in British Columbia, where budgets are the highest. This situation contributed in limiting the number of new program interventions in 2002/03. The cost of Skills Development is also dependent on the cost of training, an area where some jurisdictions have indicated an increase.

Apprenticeship interventions increased modestly in Newfoundland and Labrador, Prince Edward Island, Nova Scotia and Alberta. However, these increases were offset by declines in other jurisdictions, which resulted in a national level similar to that reported in 2001/02.

Age Characteristics of Program Participants

When specific program options are analyzed more closely, some trends of program use by age are apparent. Youth (<25) accounted for about 45% of all of the new start apprentice interventions in 2002/03. The age grouping of 25 to 29 accounted for an additional 26% of apprenticeship interventions. To contrast this, the age grouping of 45 to 54 accounted for only 3.1% of apprentice interventions and older workers (>55) accounted for only 0.4%.

Conversely, those under 25 were less likely to take part in a Self-Employment intervention. Participation in Self-Employment was highest for the age grouping of 35 to 39 (18.7%) and lowest for those aged 24 or younger (4.6%).

Employment Services and Other Support Measures in Support of the NES

Employment services are available to all unemployed Canadians in need of assistance to return to work. As eligibility for EI is not a factor for services, these activities are important to those that have been absent from the labour market for an extended period of time or new immigrants who have not yet entered the Canadian labour market.

Services provided to individuals reported in this section include those individuals who had some level of interaction with a case manager or who took part in an Employment Group Services intervention.

Service interventions recorded during 2002/03 increased by 18.4% from those reported in

2001/02. This increase brought service interventions to 702,361 in 2002/03, compared to 593,437 in 2001/02 (please refer to Annex 3.6 for a breakdown by jurisdiction). All interventions increased to varying degrees with the largest increases occurring in Employment Group Services (51.5%) and Employment Assistance Services (19.6%). The breakdown between Employment Group Services and Employment Assistance Services should be considered as an approximation due to the fact that in some jurisdictions, these activities are not recorded separately. Data analysis indicates that service interventions had no identifiable patterns of use by age.

Table 5
Employment Services Intervention Activity

	2001-2002	2002-2003	Variance
Employment Assistance Services	356,544 (60.1%)	426,400 (60.7%)	69,856 (+19.6%)
Employment Group Services	70,275 (11.8%)	106,448 (15.2%)	+36,173 (+51.5%)
Individual Counselling	158,469 (26.7%)	161,005 (22.9%)	+2,536 (+1.6%)
Supplément de retour au travail (Quebec only)	8,149 (1.4%)	8,508 (1.2%)	+359 (+4.4%)
Total	593,437 (100%)	702,361 (100%)	+108,924 (+18.4%)

Although data for service interventions indicate a notable increase from that reported last year, it is important to qualify this occurrence. Increases in the utilization of services can be expected when solid labour market conditions prevail. Often, clients who are job ready want to take advantage of these positive conditions and require only the type of assistance available through services. Improvements in the data capture and the methodological adjustment in the Employment Group Services participant calculation, discussed in Section 3, also explains the increase in the number of service interventions.

This being said, expenditures on Employment Assistance Services indicate a real increase in service activity as Employment Assistance Services expenditures reached $485.2M in 2002/03, an increase of 6.0% over 2001/02 when expenditures were $457.8M.[9]

In addition to the assisted services reported here, clients also have access to self-serve options in support of the NES. These services include Labour Market Information products and Job Bank. Self-serve data indicate that during 2002/03 there were approximately 52 million user sessions for Job Bank and 155,058 jobs entered by employers through Job Bank for Employers.

Table 6
Employment Services and Other Support Measures Expenditures (000)

	2001-2002	2002-2003	Variance
Employment Assistance Services	457,769 (71.2%)	485,151 (73.6%)	27,382 (+6.0%)
Labour Market Partnerships	177,770 (27.6%)	165,918 (25.2%)	11,852 (-6.7%)
Research and Innovation	4,075 (0.6%)	3,533 (0.5%)	542 (-13.3%)
Supplément de retour au travail (Quebec only)	3,587 (0.6%)	4,188 (0.6%)	601 (+16.8%)
Total	643,201 (100%)	658,790 (100%)	15,589 (+2.4%)

Adjustment Activities

Labour Market Partnerships adjustment activities may address the specific needs of individuals employed in industries or sectors in distress. Such activities may address a full range of short- and medium-term needs, including assistance for laid off workers who

[9] Expenditures for Employment Group Services and Individual Counselling are included in in-house operational budgets and under Employment Assistance Services in some jurisdictions. There is no specific allotment associated with these activities.

are seeking immediate re-employment and/or educational and skills upgrading. For example, in British Columbia, adjustment activities have been undertaken to help various communities to adjust to closures in the forest industry. Such adjustment activities have helped communities reduce their dependency on the forestry by taking advantage of other opportunities, such as ecotourism. In Ontario, funding was provided to assist individuals to adjust to closures within the automobile manufacturing sector. In addition to these activities, pressures resulting from the onset of Severe Acute Respiratory Syndrome (SARS) at the end of 2002/03 resulted in assistance being provided to those who felt the economic impact of the disease. Examples of adjustment activities relating to SARS will be available in the 2004 Monitoring and Assessment Report.

Pan-Canadian Activities

Pan-Canadian activities are national or multi-regional in scope or purpose. They include activities that respond to special labour market issues or situations that extend to or affect the country as a whole or a significant area of the country. They also consist of labour market development activities that can be described as being of national importance or as improving the functioning of the labour market in Canada, such as supporting interprovincial labour mobility, promoting and supporting national sectoral partnerships, and operating the national labour market information and national labour exchange systems. The key activities carried out under pan-Canadian programming relate to the Aboriginal Human Resources Development Strategy (AHRDS), Sectoral Partnerships, youth programming, and the work of the Applied Research Branch.

As part of the Government of Canada's response to the recommendations of the Royal Commission on Aboriginal Peoples, the AHRDS was given a five-year (1999/00-2003/04), $1.6-billion budget to help Aboriginal communities and organizations take on the responsibility of developing and implementing their own employment and human resources programs. During 2002/03 about $90M of pan-Canadian funding went to support the AHRDS, which works to expand the employment opportunities of Aboriginal peoples across Canada. The AHRDS initiative assists Aboriginal individuals to prepare for, obtain and maintain employment with an emphasis on helping youth, off-reserve Aboriginal peoples and persons with disabilities. Activities under this initiative were carried out in partnership with the provinces/territories, the private sector and the Aboriginal Human Resources Development Sector Council.

Other pan-Canadian activities, such as those funded under LMP, were used to support sector councils, which are led by industry partners (employers and workers) in a defined area of economic activity, who seek to identify and address current and anticipated human resources and skills and learning challenges in various areas of the Canadian labour market. Sector councils represent industry and labour partnerships that span a variety of economic sectors across Canada–from child care, to the environment, to textiles. They also develop innovative projects that help to ensure skills developed by the educational sector are responsive to industry needs and increase access to and opportunities for continuous learning. For example, during 2002/03, the Tourism sector council began an "Electronic Delivery" project, which helps the sector by providing access to, among other things, lifelong learning, labour market information and prior learning assessment.

The Sectoral Partnership Initiative (SPI), now known as the *Sector Council Program*, has been the primary funding stream under which a

variety of labour market and career information and research products were made available to industry to help employers and business to address human resources, skills and learning issues affecting the Canadian labour market. The SPI also supported the development and distribution of a number of career information products aimed at facilitating labour market entry and career progression for young Canadians.

Pan-Canadian funding was also used to support the *Youth Awareness* initiative, which included human resources management, planning and awareness activities to assist employers and communities to prepare for and meet the needs of individual youth and the labour market. These activities address issues common to the youth labour market in various jurisdictions. Examples of activities funded under this initiative include Career Circuit and Skills Canada.

Career Circuit helps to strengthen service to youth by building a network of capable individuals and organizations from across Canada. This network provides access to contacts, information, resources, professional development, and support services. This helps youth to explore learning, work, career options and to build successful futures.

Skills Canada works in partnership with employers, educators, labour groups and governments to reposition trade and technical careers as a first choice career option for Canadian youth, thereby helping to secure Canada's skilled labour needs. Through annual provincial/territorial and national competitions, as well as international competitions that are held every other year, Skills Canada helps to make these occupations more visible and tangible for youth, parents, and educators.

In addition to these Labour Market Partnership-funded projects, projects funded through Research and Innovation sought to identify better ways of helping persons prepare for, return to, or keep employment, and be productive participants in the labour force. These activities take the form of social experiments based on a random-assignment research design. Project impacts are evaluated by comparing outcomes for participants who receive financial incentives and services (the program group) with outcomes for participants who receive regular benefits and services (the control group). Research and Innovation projects provide evidence about what does and does not work from the perspectives of government budgets, program participants, and society as a whole.

II. RESULTS

The results in this section are presented in terms of:

- Returns to Work and Unpaid Benefits; and
- Results by Intervention.

1. Returns to Work and Unpaid Benefits

EBSMs are designed to enable improved employment results and enhance the employability of individuals, through more skills, better knowledge, access to opportunities to gain work experience and other impacts. Results in any one jurisdiction are influenced by local and regional labour market characteristics and jurisdictional service delivery strategies. For some types of interventions, expenditures in one year do not produce results until the following year. Therefore, current year results may not correspond to current year expenditures. For these reasons, it is not recommended to make comparisons across jurisdictions. Rather, it is suggested to compare results with those of the

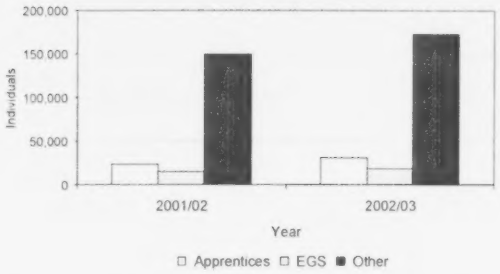
same jurisdiction in the previous year and/or with the established targets.

"Returns to Work" and "Unpaid Benefits" have been identified as the key short-term success indicators for clients participating in EBSMs, Apprenticeship, Employment Group Services or Individual Counselling. It should be noted that these indicators are gross and do not refer to the net impacts of programs and services. "Returns to Work" refers to the number of insured participants who are working in paid employment and have received support through EI Part II. "Unpaid Benefits" refers to the difference between an individual's maximum entitlement to Part I benefits and the actual payout of such benefits. These results should not be considered as savings, given that they greatly exceed the amount that could represent potential savings. Further, most individuals who received Part I benefits, on average, only used two-thirds of their entitlement.

As stated in Chapter 1, Canada's economic and labour market performance was robust during the reporting period. Data related to Part II supports this to some extent as both "Returns to Work" and "Unpaid Benefits" increased significantly over that reported in 2001/02. For non-AHRDS clients, "Returns to Work" increased 18.1% to reach 221,943 in 2002/03, compared to 187,938 in 2001/02. "Unpaid Benefits" showed an even greater increase, 25.2%, to reach $814.5M, compared to $650.8M in the previous reference period (please refer to Annex 3.14).

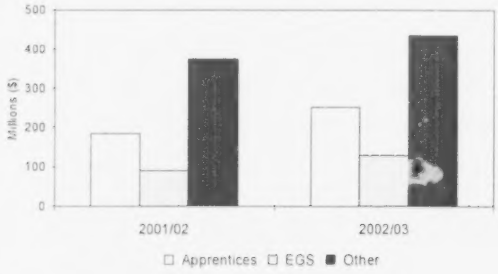
In some jurisdictions results exceeded targets by significant margins. Those for Saskatchewan were almost double the targets.

Chart 2 : Returns to Work



Charts 2 and 3 present "Return to Work" and "Unpaid Benefit" results by the categories of Apprentices, Employment Group Services and "Other".[10] This categorization is used because of substantial differences in the nature of these activities. As can be seen in these charts, all categories increased from 2001/02 to 2002/03. Detailed data show that the increase in both "Unpaid Benefits" and "Returns to Work" was much larger for Employment Group Services and Apprentices than it was for all "other" EBSM interventions. "Returns to Work" associated with EGS and Apprenticeship increased by 22.5% and 30.4% respectively. This compares to an increase of 15.7% for "other" interventions. Similarly, "Unpaid Benefits" for Employment Group Services and Apprenticeship increased 41.0% and 36.0% respectively, compared to 16.0% for the remaining interventions.

Chart 3 : Unpaid Benefits



[10] "Other" includes the EBSMs listed in Annex 3.3.

Apprenticeship is an important tool in addressing skills shortages. To encourage apprenticeship, as noted in Annex 6, the Department has eliminated the second waiting period for Part I benefits for apprentices. However, when looking at results data, it is important to point out that apprentices generally return to work because of the nature of the program—it involves an in-class portion and an on-the-job portion. In many cases, apprentices are employed but temporarily leave their employer to undertake training in an apprenticeship program and upon completion, return to the same employer. As such, it is expected that the success of apprentices, with respect to returning to work, would be higher than other interventions.

High results associated with Employment Group Services are in line with the increase of Employment Group Services interventions. Employment Group Services is used to assist job ready individuals to return to work quickly and generally occur during the first weeks after an EI claim has been filed. A quick referral to an Employment Group Services intervention provides a greater potential for "Unpaid Benefits." This is more significant when labour market conditions are favourable, as more job ready clients would be served through Employment Group Services so the pool of possible results would be much larger. Unlike the results of other interventions, results for Employment Group Services are associated with clients who participated in Employment Group Services interventions only.

Speed of service to clients is an important factor that contributes in generating "Unpaid Benefits." An assessment of administrative data indicates that approximately 50% of all active claimants served under Part II start an intervention within the first 15 weeks of their claim and in approximately half of those cases, an intervention commenced within the first 10 weeks. This can be linked to the referral processes in place in the various jurisdictions.

Results deriving from Aboriginal Human Resources Development Strategy activities also increased when compared to the previous reference period. "Returns to Work" and "Unpaid Benefits" increased by 10.3% and 10.4% respectively, to reach 8,219 returns to work and $15.2M in unpaid benefits. Similar increases in these indicators have been noted in the last three editions of this report and have been linked to improved understanding of programming and service delivery in HRSD and Aboriginal organizations. Better data capture has also contributed to these results.

"Returns to Work" and "Unpaid Benefits" for all EBSM clients (AHRDS and non-AHRDS) were 229,282 and $827.1M respectively.[11]

2. Returns to Work by Intervention

As in 2001/02, data for 2002/03 indicate that approximately 74% of the EBSM clients that returned to work participated in only one intervention. To address those instances where more than one intervention was utilized (26%), a hierarchy of results was necessary to associate one result with one individual. Results have been attached to the last intervention in which an individual participated. In those instances where a service intervention, such as EAS, followed a program, such as SD, the result would be attributed to the program intervention only.

The linking of returns to work to interventions provides a more complete picture of the results data but cannot be used to evaluate

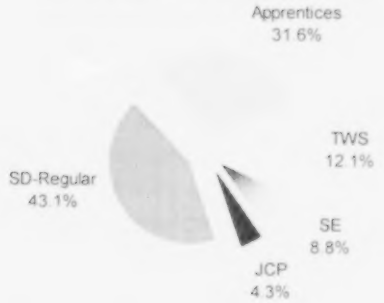
[11] Some "Returns to Work" and "Unpaid Benefits" can be associated with both AHRDS and non-AHRDS (regular) programming. To avoid double counting, the roll-up of EBSM results includes only one result per client. As such, results for EBSM regular and AHRDS, noted earlier, cannot be added together to arrive at the total quoted here.

effectiveness. Further, as the interventions associated with these results include new starts from previous years, it is not possible, at present, to determine an employment ratio for programs and services by using the intervention data presented in this report. As such, comparisons between programs and services are not recommended.

During 2002/03, 45.3% of returns to work were the result of program interventions with 54.7% resulting from services where clients were to a large extent job ready (please refer to Annex 3.15). This is similar to data for 2001/02 when programs accounted for 48% of returns to work and services accounted for 52%. Returns to work for both services and program options increased, 24.5% and 11.4% respectively.

As was the case in the previous reference period, Skills Development and Apprentices accounted for the largest proportion of returns to work following participation in a program. As can be seen in Chart 4, Skills Development alone accounted for 43.1% of returns to work for programs while Apprentices accounted for 31.6%.

Chart 4 : Employment Program Interventions Distribution



3. Future Directions

In addition to the data reported in this chapter, more details on the impacts of EBSMs can be found in Chapter 5. This information is based on preliminary findings of the Newfoundland and Labrador, British Columbia and Quebec summative evaluations. Other summative evaluations are presently under way and will be discussed in *the 2004 EI Monitoring and Assessment Report.*

This chapter provides an update on Employment Insurance (EI) services and initiatives to improve and modernize service delivery and the quality of our service to Canadians.

- 2.9 million initial and renewal EI claims processed
- 65% of first benefit cheques paid within 28 days from the start of the claim
- In March 2003, 17.4% of claimants elected to file their applications via the Internet
- 20 million reports were completed using the automated telephone reporting service (Teledec) in the last year
- 68% of claimants chose to receive their payments by Direct Deposit
- Insurance Telemessage, an automated information service, answered 11.4 million inquiries for clients who were able to self serve
- EI call centre employees responded to approximately 6.5 million inquiries and transactions
- 98% of eligible claimants used Teledec to complete their bi-weekly reports
- 96% of all claims are paid accurately
- 84% of all appeals to the Board of Referees are scheduled to be heard within 30 days of receipt of the appeal letter
- The EI program is delivered by 8,000 dedicated employees in 320 points of service across Canada

I. IMPROVEMENTS IN SERVICE DELIVERY

1. *Modernizing Service for Canadians*

Modernizing Service for Canadians (MSC) is a multi-year initiative to improve the quality of services for Canadians, through the introduction of an integrated service delivery approach that provides citizen-centred, relationship-based services.

Each interaction with a citizen will be used as an opportunity to better understand and better serve them, while respecting privacy and security. The objective is to enhance client satisfaction and improve policy and program outcomes simultaneously.

2. *Employment Insurance Services to Individuals*

HRSD is committed to providing Canadians with a choice of how to access services, and to providing timely service with a more integrated service delivery network. In 2002/03, substantial progress was made towards modernizing the service delivery network. The array of choices available to clients for the most common services requested by clients was expanded. Services are available through four different channels: over the phone, over the Internet, in person and by mail.

Information and Inquiries

Service offerings within HRSD continue to be developed and implemented in order to provide clients with information relevant to their individual needs and circumstances through a variety of service channels.

Through EI call centres, claimants can renew their claims and get decisions. For complex inquiries, they have access to expert service in a Human Resource Centre of Canada (HRCC). Payment details and answers to general inquiries are provided using Insurance Telemessage, an automated information service that continues to be enhanced. Furthermore, a plan for positioning EI and Income Security Programs call centres for the future is in place. This plan will include steps to harmonize services offered and assess performance indicators.

Additional enhancements were made to Teledec, an automated telephone reporting service. As a result of the enhancements, there was an increase of 12 million bi-weekly reports completed by telephone in the last year. The number of payments made using Direct Deposit was approximately 19 million. These services

provide faster payments compared to the traditional paper processes.

Answers to general inquiries are also available via e-mail. In 2002/03 a total of 26,000 general non-EI claim specific inquiries were responded to in this manner, about a 62% increase in comparison with the same period last year. In November 2002, an E-mail Response Management System was implemented to enhance this service and ensure consistent responses to frequently asked questions.

Along with e-mail communication, the EI Internet site has seen its number of visitors grow over 200% during the past year in comparison to the previous one. The "Contact Us" option on the site has been improved to offer broader access to the various EI services available via the Internet. The navigation and the content of the entire EI Internet site has been modified to better address clients' comments.

Although electronic services are greatly promoted, individuals continue to have access to in-person services in the HRCC offices. An array of informative publications and in-person service are available at each of our 320 points of service. Where expert information is required for large groups of people, Public Liaison officers are there to help. When required, HRSD representatives provide group information sessions at a convenient location. Employers, unions and interest groups have made good use of these services, resulting in fewer delays and improved quality of service.

To support continual improvement, communication products and forms are continually being adapted to support clients through the use of electronic services, legislative change and expanding service delivery options. All communication products are provided in both official languages. Clients who are not familiar with electronic services receive in-person service and support suited to their needs.

Application for benefits

EI Appli-Web, which allows claimants to apply for benefits via the Internet, was launched nationally in April 2002. The take-up rate of 17% after the first year of launch shows that this application turned out to be appreciated by claimants.

The application incorporates the following features:

- interactive fact finding screens on specific situations, such as when a claimant has voluntarily left or been released from a job; and
- secure transmission of information.

Appli-Web users are supported by an A to Z Help Index, Frequently Asked Questions screens, Help Screens, and toll-free Help Desk assistance. On the Appli-Web exit survey, users have had an overall satisfaction rating of 8.5 out of 10.

A customized form was developed to support the use of Appli-Web when large numbers of people are being laid off from the same employer. This form may be used at information gathering sessions to ensure the highest quality of service and the most efficient processing of claims.

In keeping with the Modernizing Service for Canadians initiative, kiosks in HRCCs are being transformed to Citizen Access Web Stations (CAWS). This will allow clients to file electronic EI applications using Appli-Web. In 2002/03, roughly 50 to 60% of kiosks were transformed in each region. CAWS provide important access for citizens to the Internet and on-line government services. In addition, HRSD representatives are there to help support citizens in what may be their first experience with automated and on-line services.

In the majority of cases, claimants who have already established a claim in the last year are able to renew their claim quickly and easily by phone. Pilot projects in British Columbia and Newfoundland and Labrador allow applicants in remote areas to file initial applications by phone.

Bi-weekly reporting and payment

While receiving EI benefits most claimants are required to report on a bi-weekly basis regarding earnings and the state of their unemployment. HRSD encourages the use of Teledec, a toll-free automated telephone reporting service. When combined with Direct Deposit, this service provides faster and reliable payment for clients while reducing printing and mailing expenses, allowing for a more efficient and effective reporting process.

When a caller has difficulty completing a Teledec report during business hours, the call is referred to a call centre representative. This year, call-in times were adjusted to allow claimants to begin reporting at 8:00 a.m. on Fridays, ensuring claimants are able to receive assistance when needed.

Work is under way to introduce an Internet reporting channel in 2003/04. This will provide claimants with the convenience of an additional service channel while reducing toll-free costs associated with telephone reporting.

Beneficiaries of maternity and parental benefits are exempted from the requirement to report on a bi-weekly basis. These clients undertake to advise HRSD if any circumstances occur that may affect their entitlement to benefit.

Workload

EI focuses on providing financial assistance to claimants as quickly as possible from the first day they are entitled or become unemployed, no matter when they apply for benefits. For that reason, one of EI's key performance measurement tools measures the speed at which claimants are advised of their entitlement and payment made within 28 days of the start of their claim. There have been continuous improvements in these results since the creation of a revised indicator in April 2001, including a 5% improvement in the current period. More comprehensive information on service quality is available through HRSD's Departmental Performance Report.

To continue to improve on results, processes were reviewed to create efficiencies, and standardize and simplify procedures:

- Applying on-line for EI will create better initial documentation of claims and will improve opportunities for standardized claims processing because the input is done and the electronic information links in with our processing systems.
- Interactive fact finding provides better, streamlined, on-line facts documented on file by the citizen. This means fewer follow-up calls to claimants and faster processing of EI benefits.
- EI claim renewals by phone are important because there is less paper to process, and it allows for quick and easy benefit payments when an existing claim is renewed.
- Automatic information feed is in place for Appli-Web and ROE Web so that the systems can communicate with each other and provide more complete and accurate benefits processing more efficiently, on-line and in real time.

Towards the end of the 2002/03 fiscal year, a number of events occurred concurrently that contributed to an increase in claim volumes. All of this has challenged the Department's ability to continue to meet client needs. The former HRDC responded by invoking a

workload fluctuation contingency plan that included:

- sharing work among local offices and within a region;
- curtailing some activities such as non-urgent training and project work;
- redirecting trained resources to claims processing; and
- advising clients of any delays.

In addition, projects that will bring the greatest improvements to our efficiency in claims processing have been fast-tracked.

3. *Employment Insurance Services to Employers*

To ensure that EI benefits are paid in a timely and accurate way, HRSD works with employers and payroll service providers to provide for electronic filing of Records of Employment (ROE) and payroll information. ROE Web has been developed and HRSD is working with employers and payroll service providers to promote this new service.

ROE Web is a phased project that includes a suite of applications to facilitate business-to-government transactions over the Internet. ROE Web permits the acceptance of secure Web-based transmissions of ROE data from employers, using Public Key Infrastructure (PKI) technology that provides authentication, encryption and digital signature on the transactions. This initiative will improve services to Canadian businesses, improve administration of the EI fund and reduce administrative costs.

As a pilot initiative, ROE Web realized immediate benefits for the participating employers by reducing the burden of processing the ROE in paper format. It also contributed in reducing the workload of data entry and improved the quality of ROE information through built-in edits that identify errors before the ROE is sent to HRSD.

Based on the pilot experience, it has been estimated that users of ROE data would spend 50% less time handling the data. Follow-up calls to employers alone can run as high as 40%. These calls would be reduced significantly, resulting in less time spent by the business community as well as HRSD in answering or making queries on ROE matters. The potential for savings to HRSD and the business population are significant.

In fact, when surveyed, the pilot users indicated that already tangible benefits accrued and outweighed any costs of support on their local networks; ROE Web is quick to learn and easy to use; it eliminates the three-part ROE form that has been identified as a reason for dissatisfaction with employers when dealing with government; it reduces paper and the costs associated with handling the ROE form and it can reduce storage space requirements and the labour to warehouse the form and index it for retrieval. Employers have also eliminated the need for some equipment (i.e., impact printers) simplifying their operations and resulting in cost reduction.

In preparation for national implementation of ROE Web in the 2003/04 fiscal year, the Department has assisted in the development of the Government of Canada's secure channel initiative as it relates to the business community. Upon delivery of the secure channel, employers participating in the pilot will be converted to the secure channel. In 2002/03, the 11 pilot employers submitted 37,770 ROEs.

By the end of 2003-04, the goal is to register employers in such number that potentially 40% of the ROEs issued could be produced using ROE Web.

4. *Premium Reduction Program*

The Premium Reduction Program was introduced through legislation in 1971 when sickness benefits were introduced for unemployment resulting from illness, injury, disability and pregnancy. Many employers had similar sickness and disability benefit coverage for employees under group plans and because those plans would yield savings to the program, it was decided to provide a means for returning these savings to employers and their employees.

EI premium reductions are granted because private wage-loss replacement plans, also known as disability income insurance, substitute for EI sickness benefits. Accordingly, when replacement plans qualify, employers' and employees' premiums are reduced. The reductions are set to match the EI savings for sickness benefits, determined through actuarial estimates, approved each year by the EI Commission.

EI premium reductions are shared 5/12 with employees in cash or in kind based on the EI premium rate. Over 40% of the insured population or about 6 million workers are covered under the EI Premium Reduction Program.

5. *Appeals of Employment Insurance Decisions*

The primary purpose of the EI appeal process is to provide claimants and employers with a means to challenge before an independent, external tribunal an administrative decision that they believe was made in error or with which they are dissatisfied. In addition, the appeal process is an essential element in the fair administration of the Employment Insurance program as it is a bellwether of how well the program is interpreting legislation and policies in its decision-making.

The first level of appeal is to the Board of Referees, which is an independent, impartial tribunal made up of three members from the community. The panel consists of a chairperson appointed by the Governor in Council, a member appointed by the Commissioner for Employers, and a member appointed by the Commissioner for Workers. There are approximately 1,000 Board of Referee members that hear appeals in 83 centres across Canada.

In 2002/03 the Board of Referees heard 33,087 appeals, the equivalent of approximately 1.0% of all new and renewal claims. Approximately 25% of the cases heard by the Board resulted in a reversal of the Department's decision. In 2002/03, 84% of the appeals received were scheduled to be heard within 30 days from receipt.

A decision by the Board of Referees is subject to judicial review under the EI Act. An appeal to the Umpire can be initiated by the client, an employer, or by the Commission pursuant to the legislation. The Umpire is an independent, administrative tribunal that sits alone under the supervision of the Chief Justice of the Federal Court of Canada. Up to 40 judges from the Federal Court or retired provincial superior court judges sit as Umpires. Cases are heard in courtrooms across Canada.

In 2002/03 the Umpire heard 3,122 appeals; the majority of these appeals (84%) were lodged by clients. Approximately 19% of the decisions rendered by the Umpire were favourable to the client.

A party may seek judicial review of an Umpire's decision with the Federal Court Appeals Division. In 2002/03 there were 99 decisions rendered by the Federal Court on cases related to Employment Insurance benefits.

As part of the Balanced Scorecard approach to the management and performance

measurement of the appeals program, a one-day pilot decision writing course for Board of Referee chairpersons was fully implemented this year. Work is under way with a national advisory group of board members to improve training and independent decision-making in accordance with legislation and developments in the area of administrative law.

On April 1, 2003, the *Serving Employment Insurance Appellants* Web site was launched. This site was developed with the assistance of external advocates and enables citizens to enquire about the Employment Insurance appeals process and the various levels of appeals, and to obtain information on how to prepare and present an appeal at a hearing. It also offers search tools to help citizens review the legal principles and case law relating to their situation. Electronic forms are available on the site for filing an appeal to the Board of Referees or to the Umpire. Work is currently under way to enhance the Web site to enable clients to file appeals electronically via the Internet.

II. QUALITY

6. Quality and Accuracy

Employment Insurance accuracy of benefit payment is measured by the results of the Comprehensive Tracking System (CTS). Traditionally, accuracy declines after major reform and then as staff, employers and clients absorb the changes, accuracy levels usually stabilize and return to normal. Historically, the accuracy rate was about 96%. After the 1996/97 reform of the EI Act, the CTS accuracy rate decreased to a level of around 93%. However, the subsequent return to normal levels did not occur as expected. The Insurance Quality Management Initiative was introduced, in part, to address this issue and to improve our accuracy of benefit payment.

Since April 2000, a number of quality management initiatives have been implemented to improve the accuracy of benefit payment as well as our services to clients. HRSD has successfully heightened employers' awareness on the necessity to provide accurate information on Records of Employment. Messages to clients have also been put in place to ensure that the most accurate information possible is provided when reporting earnings and reasons for separation when they are in receipt of EI benefits. HRSD regularly reviews the quality of services offered by staff in local offices, call centres and benefit payment centres to ensure continuous improvement. Through feedback provided to staff, customized training to address identified quality issues and implementation of other preventive and corrective measures, levels of quality achieved are continually being improved.

HRSD has now completed three years of quality management activities designed to improve quality and accuracy. From March 2001 to March 2003 it improved from 93.5% to 95.5%. Considering the complexity of the EI benefit calculation process it is an encouraging result.

7. Client Satisfaction

In 2000, the Government of Canada made a commitment to increase client satisfaction with its services in a significant and quantifiable way. The Service Improvement Initiative (SII), approved by the Treasury Board Secretariat, is continuing and the objective of achieving a 10% increase in Canadians' level of satisfaction with the delivery of major Government services by 2005 is being maintained. Client satisfaction with the EI program was measured through a Client Satisfaction Survey in 2001. The results were extremely positive: 77% of EI surveyed clients were satisfied or very satisfied with the overall quality of service they received. Even

with these excellent results, HRSD continues to look ahead for means to improve client satisfaction.

To contribute to this initiative, an action plan for EI Service Improvement was developed for 2002/03. This plan took into account important facts indicated in the former HRDC Service Quality Report. The major factors involved in satisfaction with service are, namely, timeliness, competence, courtesy, fairness and outcome. The action plan included projects already proposed in the Modernizing Service for Canadians initiative, as well as improvements to our Internet and telephone services and our printed communications. Quality monitoring, implementation of standardized service offerings such as calling clients to explain negative decisions and the efficiencies gained through streamlining, standardizing and automation are expected to each play a role in increasing client satisfaction.

8. Learning Organization

HRSD's goal of creating a learning organization has been given a strong boost through the implementation of the national training policy. This new policy has established the framework that will help to support the Insurance program within the context of the corporate service delivery policy. A national training strategy and calendar were also developed to further support the Insurance program.

Staff in the field (i.e., front-line, call and processing centres) must be in a position to maintain and continually improve services to Canadians. To achieve this priority, HRSD ensures that its employees are current and up to date on the Employment Insurance Program. To deliver on this priority and meet the training needs of HRSD staff, 21 training products were updated and 9 others were developed this year. These training products cover the core curriculum training that is required to respond to inquiries and process claims for EI benefits.

9. Insurability

Under the EI Act, the Minister of National Revenue has the responsibility for determining when an individual is employed in insurable employment; the first requirement to be entitled to EI benefit. The total number of insurability rulings requests received by the former Canadian Customs and Revenue Agency (CCRA) in 2002/03 was 57,746. Of this total, the former HRDC requested 24,591 rulings (43% of all requests). The remaining requests were the result of direct requests from the public 26,615 (46% of all requests) and the result of the former CCRA's own internal "Personal Insurable Earnings Review Program," which resulted in 6,558 requests (11% of all requests).

The rulings requested by the Department have declined since 1996 from a total of 58,851 in 1995/96 to 24,591 in 2002/03. The two major reasons for this decline were the simplification of the EI rules with the 1996 amendments to the EI Act; and the introduction of a pre-screening process in our HRCCs to deal with arm's-length cases, which make up a large portion of HRSD's ruling requests. This pre-screening process ensured that only valid ruling requests were sent to the former CCRA dealing with arm's-length cases. This process has resulted in claimants receiving their EI benefit much sooner than if an insurability ruling had to be obtained from the CRA. A study done in 2000 on arm's length showed that only 24% of all arm's-length cases received at the former HRDC were sent to the former CCRA for a ruling. This is a very small percentage and points to an effective use of the pre-screening guidelines by HRSD offices.

The Canada Revenue Agency (CRA) has additional programs that also result in requests for insurability rulings indirectly. The "Employer Compliance Audit" program and the "Trust Account Examiner/Senior Trust Examiner" program are utilized by the CRA to identify those employers who pose the greatest risk in terms of non-compliance and lost revenues with respect to the EI Act and the *Income Tax Act*. These programs help to ensure that those employers who should be participating in the EI program fulfill their responsibilities under the program and that those workers, who should have access to the EI program, are in fact participants in the program.

Employer assessment is the tool used by the CRA to support employer participation in the EI program. The assessment program is the CRA's method of collecting EI premiums from employers who may not be meeting their responsibilities under the EI Act. Assessments are raised as a result of audits carried out by the CRA; visits by Trust Examiners to an employer as a result of a third party complaint; or the result of a ruling provided directly to the public or a ruling raised by HRSD on a claim for benefit. If the employment is ruled to be insurable, then the CRA will send a Trust Examiner to the employer's premises to determine how many employees are employed in insurable employment and to ensure that the employer meets his or her responsibilities under the EI Act.

Under section 3 of the *Employment Insurance Act*, the Employment Insurance (EI) Commission is required to assess how the economy, communities and individuals are adjusting to the changes made under EI reform. In addition, the Commission is required to monitor and assess the effectiveness of the benefits and other assistance provided by the program, including how it is utilized, the effect of EI on the obligation of claimants to seek employment, and the efforts of employers to maintain a stable work force.

This chapter provides an analysis of the impact and effectiveness of EI on the economy, regions and communities, and individual workers, using findings from research studies and evaluations of the EI program. The analysis also examines the EI program from the perspective of encouraging work force attachment, use of Employment Benefits and Support Measures (EBSMs), and employers' management of their work force. This chapter concludes with an assessment of the savings realized from the EI reform of 1996/97.

The main findings and methodologies of the evaluation studies referred to in this chapter are outlined in greater detail in Annex 5.

I. EI Summative Evaluation – Income Benefits

EI reform, introduced in 1996/97, represented the most fundamental restructuring of the program in 25 years. While numerous studies have been undertaken to examine various aspects of EI reform, Human Resources and Skills Development (HRSD) is currently in the process of undertaking an assessment of the EI program overall. This summative evaluation will assess the impact of the income benefits (Part I) aspect of EI reform as well as the overall effectiveness of EI income benefits and the quality of EI service delivery.

Work on the summative evaluation commenced in the summer of 2003 with the development of an evaluation framework, which is expected to be finalized by the end of fiscal year 2003/04. Following the finalization of the framework, a series of evaluations will be undertaken throughout fiscal year 2004/05 and preliminary findings will be published in the *2004 Monitoring and Assessment Report*. The summative evaluation report is expected to be finalized in the fall of 2005 with key findings being reported in the *2005 Monitoring and Assessment Report*.

II. EI and the Economy

An analysis of the impact and effectiveness of EI on the economy is undertaken by examining the stabilizing effect of EI. The analysis also examines the impact of EI on labour mobility and the effectiveness of the program in meeting the financial need of individuals between jobs. Overall, the findings indicate that the EI program has been effective in stabilizing the economy and promoting an efficient labour market.

Stabilization and Purchasing Power

By providing temporary income support to unemployed workers, the EI program provides a countercyclical stimulus that helps to stabilize a slowdown in the economic cycle. A recent HRSD study used two independently developed macro-econometric models of the Canadian economy to examine the role of EI as an automatic stabilizer.[1] The study examined stabilization along two dimensions: increase in benefits paid associated with a slowdown and the effect of declining premium rates. As indicated in Chapter 2, regular EI benefits increased by 2.5% in 2002/03 and the

[1] Forthcoming study – *Evaluation of the Role of Canadian Employment Insurance Program as an Automatic Stabilizer*, Audit and Evaluation Directorate, HRSD. Further information on the methodology used is available in Annex 5.

EI premium rate declined during the reference period from $2.20 to $2.10.

The Forecasting and User Simulation (FOCUS) model, developed by the University of Toronto, estimated that without the EI program, an additional 30,000 jobs would have been lost in 2001 and almost 70,000 more jobs would have been lost in 2002.[2] The FOCUS model estimates the total stabilization effect to be between 13% and 16%, meaning that 13% to 16% of the decline in output and employment that would otherwise have occurred in 2001 and 2002 was avoided as a result of the EI program. It is interesting to note that a similar macro-simulation model determined that the stabilizing impact of the Unemployment Insurance program in 1992 was somewhat greater, at between 15% and 20%.[3] In comparison, the model developed by Global Insight, estimated the total stabilization effect to be 10%. Considering that each model responds differently to specified parameters, the estimates generated may be considered to be broadly consistent, which strengthens confidence in the conclusion that EI provides a stabilizing impact on the Canadian economy.

Another way to examine the effectiveness of EI in stabilizing the economy is to examine how EI has assisted individuals to maintain their household consumption patterns. An analysis indicates that only 12% of individuals separated from their job experienced a decline in household spending one year after their job separation.[4] This result is significant because it indicates that the provision of temporary income support under EI helps most people to return to similar earnings within a year. For those that did experience a decline, the decline was, on average, 24% of total annual income. The magnitude of the decline varied depending on the type of household, with those with only one income earner being more susceptible to decreases in consumption. The study also showed that 21% of the long-term unemployed (those unemployed for more than 52 weeks) experienced a decrease in consumer spending.

Labour Mobility

Promoting a high level of labour mobility is essential for a smooth and efficient labour market and a strong economy. The national scope of the EI program and the fact that it pays benefits to eligible individuals, who must leave a job to relocate with a spouse, inherently facilitates labour market mobility. Nonetheless, concerns have been raised that the EI program could act as a barrier to labour mobility by encouraging people to stay in areas where there are limited job opportunities. As reported in the *2002 Monitoring and Assessment Report*, there is no compelling evidence of a direct relationship between the EI program and geographic mobility.[5]

In addition, a recent study by HRSD examined the level of mobility in 14 representative communities.[6] The study examined labour mobility of workers between 1995 and 2002 from three different labour market perspectives: between jobs, collecting EI benefits, and between claims. The study concluded that there is a high degree of mobility into and out of the 14 communities with as many as 30% of claimants changing communities from one EI

[2] The *2002 Monitoring and Assessment Report* referenced preliminary findings surrounding job loss and stabilization effect. The study has since been finalized and the results reported in the 2003 report reflect the final draft of the study.

[3] Peter Dungan and Steve Murphy, *The UI System as an Automatic Stabilizer in Canada*, Evaluation and Data Development, HRDC, 1995.

[4] Forthcoming study – *To What Extent is Household Spending Reduced as a Result of Unemployment?*, Audit and Evaluation Directorate, HRSD.

[5] Rick Audas & James Ted McDonald, *Employment Insurance and Geographic Mobility: Evidence from the SLID*, Social Research and Demonstration Corporation, April 2003.

[6] Forthcoming Study – *EI Reform and Community Mobility*, Audit and Evaluation Directorate, HRSD.

claim to the next. The study determined that those communities with higher rates of in-migration tended to have higher rates of out-migration, as well. It is noteworthy that the study found mobility to be greatest in the larger metropolitan areas and in the fishing communities of Clarenville and Miramichi.

III. EI and Communities

While the impact of EI on the economy is a key consideration, it must be recognized that even in times of economic recovery, there may be some regions of the country that do not perform as well as others. The following section examines EI's impact on and responsiveness to communities. The analysis begins with an examination of the responsiveness of EI to changes in local labour markets, followed by a summary of the impact of EI in the 14 representative communities and concludes with a comparative analysis of the impact of EI in urban and rural communities. Overall, the community analysis demonstrates that the program responds quite well to local labour markets and that benefits are adequate despite very different economic realities across the country.

Responsiveness to the Local Labour Market

On a regional basis, the responsiveness of the EI program can be demonstrated by adjustments in the entrance requirements and duration of benefits. EI is specifically designed to respond automatically to changes in local labour markets by modifying the entrance requirement and duration of benefits in line with significant changes in the local unemployment rate in each of the 58 EI economic regions.

The economic recovery in 2002/03 resulted in mainly upward adjustments in the variable entrance requirement with 25 of the 58 economic regions (43%) experiencing an increase in the entrance requirement and a decrease in the length of entitlement as a result of a decline in the regional unemployment rate. Only 7, or 12%, of the economic regions experienced a downward adjustment in the variable entrance requirement and an increase in benefit duration due to an increase in their unemployment rate. Of the remaining 26 EI regions where the entrance requirement and entitlement did not change, all but 8 were already at their minimum or maximum entrance requirement and would not have seen a change in the entrance requirement or benefit entitlement had there been a change in the unemployment rate. Of these eight regions, four experienced slight decreases in their unemployment rates, one had a stable rate of unemployment and the remaining three had unemployment rate increases averaging just over 0.2 percentage points.

Fourteen Communities

Fourteen representative communities were selected at the time of EI reform in order to monitor the level and nature of adjustments to the new legislation at a local level (refer to Annex 4 for individual community profiles).[7] Five communities were selected to represent their economic regions in terms of average demographic, economic and labour force characteristics. The remaining nine were selected to provide an understanding of adjustment occurring in communities with special characteristics such as high unemployment, a high proportion of seasonal workers, an urban or rural population base or high female participation.

[7] For more information on the Community Perspective exercise, see the *1999 EI Monitoring and Assessment Report*, Chapter 4. Please note that the 14 communities are: Clarenville, Newfoundland and Labrador; Prince Edward Island; Truro, Nova Scotia; Miramichi, New Brunswick; Repentigny, Quebec; Montréal Centre East, Quebec; Toronto Centre, Ontario; Hamilton Mountain, Ontario; St. Boniface, Manitoba; Prince Albert, Saskatchewan; Calgary Centre, Alberta; Kelowna, British Columbia; Surrey, British Columbia; and Yellowknife, Northwest Territories.

Overall, an analysis of the 14 communities has demonstrated that the EI program is responsive to local labour markets and provides a level of benefits that is adequate despite divergent economic realities across the country. Analysis of EI Administrative data demonstrates that communities with high unemployment rates tend to have a greater proportion of workers who collect EI benefits (refer to Table 1). This is the case particularly in Clarenville, Miramichi and Prince Edward Island. Communities with a lower unemployment rate, such as St. Boniface, Calgary Centre, Hamilton Mountain and Toronto Centre tend to have a proportion of workers that claim EI that is below the national average of 15.0%. This indicates that the EI program is responsive to local labour market conditions.

In addition, workers in communities with high unemployment rates face a lower entrance requirement and longer entitlement periods, giving unemployed individuals more time to find suitable employment in weaker labour markets. An indication that the varying weeks of entitlement are sufficient is that claimants in communities with high unemployment rates use, on average, about the same proportion of their entitlement as those in communities with low unemployment rates. In 2002/03, claimants in the 14 communities used less than 64% of their maximum entitlement, on average, before returning to work.

It is also important to examine the degree to which EI responds to fluctuations in local labour market conditions. During the reference period, 4 of the 14 communities (Calgary Centre, Toronto Centre, Surrey and Clarenville) were located in economic regions that experienced an increase of more than half a percentage point in the local unemployment rate. The responsiveness of the EI program in these communities was demonstrated by an increase of $16 million, or 9.3%, in regular EI benefits paid in comparison to the previous reporting period. The increase in regular benefits was largely attributable to an increase

Table 1: Impact on Communities

Community	Average Unemployment Rate (%)	Average Entrance Requirement (hours)	Entitlement Used (%)	Proportion of Workers with EI Benefits (%)
ATLANTIC COMMUNITIES				
Clarenville	21.4	420	66.7	59.0
Prince Edward Island	11.9	478	71.5	37.2
Truro	9.8	554	62.9	22.4
Miramichi	16.6	420	68.2	39.5
QUEBEC COMMUNITIES				
Repentigny	8.7	588	59.1	20.7
Montréal Centre East	8.4	595	61.5	16.6
ONTARIO COMMUNITIES				
Toronto Centre	7.4	633	58.9	5.9
Hamilton Mountain	6.7	656	54.6	9.9
PRAIRIES AND NORTHERN COMMUNITIES				
St. Boniface	5.3	700	61.7	10.3
Prince Albert	14.2	420	49.7	17.0
Calgary Centre	6.0	685	65.1	8.0
Yellowknife	25.0	420	58.2	11.0
BRITISH COLUMBIA COMMUNITIES				
Surrey	7.8	618	68.4	14.8
Kelowna	10.5	525	58.4	17.3

in the number of people establishing a claim as a result of the weaker labour market within their community.

Over the same period, 8 of the 14 communities (Hamilton Mountain, St. Boniface, Montréal Centre East, Prince Edward Island, Repentigny, Prince Albert, Kelowna and Yellowknife) were located in regions where the unemployment rate changed by half a percentage point or less, and, therefore, did not experience a change in the entrance requirement or entitlement.[8] In these communities, the amount of regular benefits paid still increased by $5.2 million or 1.4% in comparison to the previous year. This represented the lag in benefits paid as a result of the increase in new claims established in 2001/02 due to the economic slowdown that began in 2001.

The two remaining communities (Truro and Miramichi) were located in regions where the unemployment rate decreased by more than half a percentage point, resulting in an upward adjustment to the entrance requirement and a downward adjustment in entitlement. In these two communities, total regular benefits paid increased by $2.2 million or 4.2% in comparison to the previous year. The increase is entirely attributable to a significant increase (11%) in new claims in Miramichi in 2001/02, which resulted in increased benefits in 2001/02 and 2002/03.

Urban and Rural Communities

As mentioned in Chapter 1, nearly 80% of Canadians live in urban areas, yet close to half (46.3%) of EI claims were established in rural communities in 2002/03, demonstrating that the EI program plays a more significant role in rural communities. This is consistent with the limited employment opportunities and generally weaker labour markets in rural areas.

A recent study by HRSD examined the impact of EI reform on rural communities in comparison to non-rural communities.[9] The study determined that the impact of EI reform on the likelihood that a worker would have sufficient insurable employment to qualify for benefits was no different among rural than among non-rural workers. In addition, the study determined that the average length of entitlement to EI benefits was unaffected by EI reform for both rural and non-rural communities.

A second HRSD study examined how the incidence of EI usage at the community level changed during the period from 1990 to 1997 and concluded that EI reform did not appear to have any systematic difference in impacts by community size.[10] The study found that EI usage was proportionately higher in smaller communities, particularly rural areas, and was lowest in urban areas of more than 500,000 people. The study also confirmed that the proportion of workers who received EI varied significantly by industry, with receipt rates being highest in the construction industry and lowest in the finance, insurance and real estate industry, regardless of community size. The study also concluded that irrespective of the industry a person was employed in, benefit receipt rates tended to be higher in rural communities. This analysis will be updated for future reports as more current information becomes available.

[8] In Yellowknife, the actual unemployment rate is not calculated by Statistics Canada as the territories are not surveyed in the Labour Force Survey (LFS).

[9] Forthcoming paper – *EI Reform and Rural Communities*, Audit and Evaluation Directorate, HRSD.

[10] Forthcoming Paper – *Community Size and the Variation in EI Usage By Industry and Education Level and Family Composition*, Audit and Evaluation Directorate, HRSD.

IV. EI and Individuals

In 2002/03, the EI program assisted 1,870,000 individuals with temporary income support and nearly 638,000 with Employment Benefits and Support Measures (EBSMs).[11] The impact and effectiveness of EI from the individuals' perspective is assessed by examining the accessibility and adequacy of the EI program.

Access to Benefits

Accessibility to the program is a critical element in determining the degree of assistance that EI provides. The EI program is Canada's largest social insurance program, with approximately 1.9 million individuals accessing the program during the reporting period. As in past years, the issue of access is addressed using a variety of measures. First, access is examined from the standpoint of working Canadians who paid EI premiums. In this context, the analysis examines what access would have been for those who remained employed, as well as for those individuals who lost their job at some point during the reference period. Second, access is examined from a broader perspective that includes all individuals who were unemployed. Third, specific groups are considered by examining access for immigrants, youth, low-income seasonal workers and fishers. Finally, the analysis looks at access to special benefits (maternity, parental and sickness) and Employment Benefits and Support Measures. As part of an ongoing effort to ensure the transparency and efficacy of the coverage measures, a review of these measures will be conducted by external experts in preparation for the *2004 Monitoring and Assessment Report*.

Access to Regular Benefits

Employed Population

According to simulations based on the Survey of Labour and Income Dynamics (SLID),[12] 88.1% of employed workers would have been able to collect EI benefits if they lost their jobs in December 2001.[13] The high level of eligibility is significant as there were approximately 13 million individuals in paid employment in 2002/03.[14] This rate of coverage for the employed population has remained relatively constant since first being reported in the *1999 Monitoring and Assessment Report*. The remaining 11.9% of paid workers did not have enough hours of insured employment to meet the eligibility requirements needed to establish an EI claim. Women had a slightly lower rate of eligibility (85.2%) relative to men (90.8%), reflecting their different work patterns as women are more likely than men to work part time. However, it is important to note that 95.6% of women who worked full time were entitled to collect EI if they had lost their job, a rate of access that was similar to that of men (96.2%) working full time. Moreover among part-time workers, women's rate of eligibility was 56.8% compared to 40.5% for men who worked part-time.

Evidence also indicated that despite significant variations in unemployment rates and local labour market conditions, access to EI benefits was similar across all regions of the country, ranging between 86% and 89% (refer to Chart 1). This is indicative of the responsiveness of the EI program to regional fluctuations within

[11] Note that adding these numbers to determine the total number of individuals benefiting from the program would result in double counting as most EBSM participants also collect Part I income benefits.

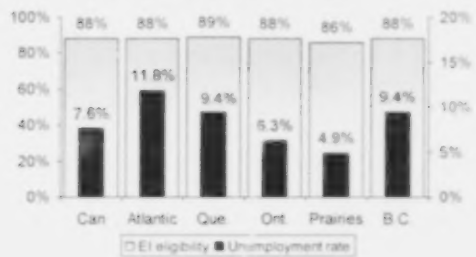
[12] The simulations using the Survey of Labour and Income Dynamics incorporate hours worked and reason for job separation, but do not include the effects of penalties and violations on access to EI.

[13] Forthcoming paper – *EI Coverage of the Employed Population: A Simulation Exercise*, Data Probe Economic Consulting Inc. and HRSD. Based on the Survey of Labour and Income Dynamics (SLID), Statistics Canada. The SLID was designed by Statistics Canada to examine the labour market history of individuals. Refer to Annex 5 for a more detailed description of the coverage methodology using the SLID.

[14] Calculated using annual averages of seasonally adjusted data from Statistics Canada's Labour Force Survey. Please note that the number of contributors to the EI program may be higher than individuals in paid employment because the paid employment figure is averaged over the year.

the labour market. As the unemployment rate rises in a particular region and it is more difficult to find work, the EI program adjusts eligibility requirements and entitlement to reflect the current economic reality.

Chart 1: EI Eligibility Among Paid Workers and Unemployment Rate, by Region, December 2001



It should be noted that the EI program has specific provisions for contributors who are unlikely to qualify. Individuals with insured earnings of less than $2,000 are entitled to a refund of their EI premiums when they file an Income Tax Return. According to Canada Revenue Agency data, in 2001, nearly $17 million in EI premiums was refunded to 858,827 individuals, representing 6.7% of those in paid employment. Furthermore, an analysis using Survey of Labour and Income Dynamics data shows that eligibility among workers increases by two percentage points, from 88.1% to 90.1%, when workers who earned less than $2,000 are excluded from the population.

Unemployed Population

Access to EI benefits among the unemployed population was also examined. Results from the Employment Insurance Coverage Survey (EICS) indicated that nearly 84% of the unemployed targeted by the EI program were potentially eligible to collect EI in 2002. This is significant because it shows that overall access increased by about one percentage point over the previous reporting period. The analysis also demonstrates that access for adult women increased by 5.2 percentage points to 88.9% and access for adult men rose by 0.9 of a percentage point to 91.7%. These increases in access reflect increased hours worked due to the stronger labour market in 2002.

Comparing results for the employed versus the unemployed indicates that access tends to be lower for the unemployed. The lower potential eligibility for the unemployed (83.9% compared to 88.1% for the employed) suggests that the unemployed population has a greater proportion of individuals with a more tenuous attachment to the work force, making them somewhat less likely to be potentially eligible for EI benefits due to insufficient insurable hours of work.

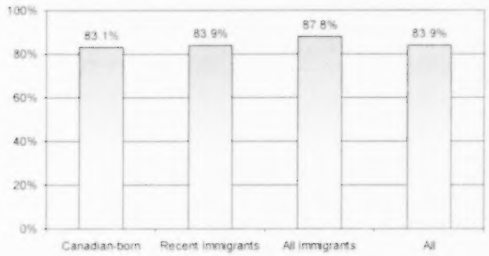
Another approach to assessing access to EI for the unemployed is the beneficiary to unemployed (B/U) ratio. The B/U ratio is a commonly cited measure, comparing the number of workers receiving EI regular benefits with the total number of unemployed individuals at any given time. The B/U ratio declined from 47.0% to 45.4% in 2002/03 as the number of EI beneficiaries increased by less than the total number of unemployed in the reporting period. While the B/U ratio has the advantage of simplicity, it includes unemployed individuals for whom EI regular benefits were not designed. For example, the B/U ratio includes self-employed individuals who did not pay premiums, those who have never worked or who have not worked in the past 12 months, and those who voluntarily quit their job without just cause. As a result, it is a measure of coverage of a group that is much broader than that targeted by the EI program.

Immigrants

The analysis has been expanded this year to examine access for unemployed immigrants using the Employment Insurance Coverage

Survey (EICS). Findings indicated that among the target population, recent immigrants (those who have been in Canada less than 10 years), were as likely as Canadian-born workers to be eligible for EI benefits, and immigrants, overall, were more likely to be eligible than Canadian-born workers (refer to Chart 2). Further analysis will be undertaken to examine the impact of the higher entrance requirement provision for new entrants and re-entrants on the accessibility of EI for recent immigrants.

Chart 2: Coverage of the Unemployed: Canadian-born and immigrants, 2002 (EICS)



Youth

Accessibility for youth was also examined, as young workers tend to have less work experience. At the time of EI reform, higher eligibility requirements were implemented for new entrants and re-entrants (NEREs) to ensure that workers, especially new workers, establish a significant attachment to the labour force before becoming eligible for EI benefits. Workers who enter the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants) require 910 insured hours to qualify for EI rather than the variable entrance requirement for the region where they live. It was noted in previous reports that this element of the program is achieving its objectives given that a larger proportion of individuals new to the work force are qualifying for EI with more hours of insured employment than prior to reform.[15]

An analysis based on a simulation of the employed population using the SLID, indicates that 64.8% of employed youth would have been eligible to receive EI if they had lost their job in December 2001. This is significantly lower than the coverage rate of 88.1% for all workers and reflects the higher entrance requirement for new entrants and fewer hours worked by youth. Similarly, the EICS, suggests that 55.5% of unemployed youth who were part of the EI target unemployed population were eligible to receive EI benefits in 2002. As with the employed population analysis, the remaining 45.5% did not work enough hours of insurable employment to qualify.

Low Income Seasonal Workers

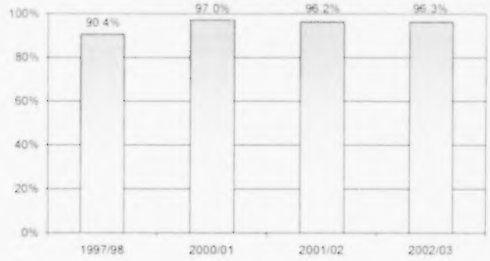
An HRDC study published in 2001 examined the impact of EI reform on individuals with seasonal work patterns who earned less than $12,000.[16] The study concluded that 76.4% of workers with seasonal work patterns who earned less than $12,000 in the previous year qualified for EI compared to 82.1% of all seasonal workers. However, the study found that the group of seasonal workers that was ineligible for EI benefits tended to be young, single, and have some post-secondary education. They were also more likely to report quitting for the purpose of returning to school or to take a new job. It is interesting to note that the regional, industrial and demographic profiles of seasonal workers who earned less than $12,000 and were eligible to collect EI benefits, were consistent with seasonal workers overall.

[15] Forthcoming study – *EI Reform and New-Entrants/Re-Entrants to the Labour Market*, Audit and Evaluation Directorate, HRSD.
[16] *EI Reform and Seasonal Workers that Earn Less than $12,000*, Evaluation and Data Development, Strategic Policy, HRDC, 2001.

Access to Fishing Benefits

Although fishing benefits represent a relatively small part of the EI program, they play an important role in providing income support within fishing communities. Unlike regular benefits, eligibility for fishing benefits is based on insured earnings rather than insured hours. Under the earnings based system, fishers can qualify for benefits with a minimum of between $2,500 and $4,199 in insured earnings from fishing, depending on the unemployment rate in their region. For new entrants and re-entrants to the fishery, a minimum of $5,500 of earnings is required to qualify. As with regular benefits, the threshold for new entrants and re-entrants is significantly higher to encourage a greater degree of work force attachment before becoming eligible for EI benefits.

Chart 3: Proportion of Fishers Who Qualify with Earnings in Excess of the New-Entrant Eligibility Requirement



As in past years, the analysis indicates that the earnings based threshold and the new-entrant threshold of $5,500 may be too low given the overall level of revenues in the fishery. The analysis shows that nearly all fishers (96.3%) qualify with insured earnings in excess of the new-entrant threshold (refer to Chart 3) and over 70% qualify with insured earnings of $10,500 or greater. The relative ease with which fishers are meeting the entrance requirement raises concerns as the EI program may be encouraging more individuals to enter the fishing industry than otherwise would be the case. Of particular note is the increasing trend of women's fishing claims, which grew again in 2002/03 by more than 20%.

A further analysis is required to assess the impact of EI fishing benefits on the commercial fishery. As referred to in Chapter 2, this analysis would need to encompass bridging EI Administrative data with fishery data maintained by Fisheries and Oceans Canada, the Canada Revenue Agency, and the provinces of Newfoundland and Labrador and Quebec.

Access to Special Benefits

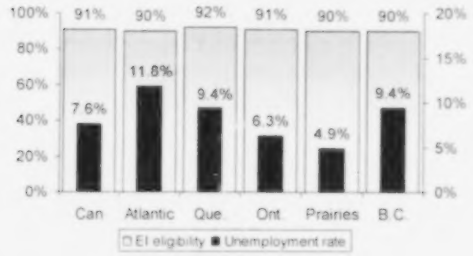
In addition to assisting Canadians who are unemployed and seeking to re-enter the work force, EI also plays an important role in supporting working Canadians who are too sick to work or who need to stay at home with newborn or newly adopted children. In this section access to maternity, parental, and sickness benefits is examined.[17]

An analysis using the Survey of Labour and Income Dynamics (SLID) indicated that 90.9% of employed workers would have been eligible to receive special benefits in December 2001 had they needed to access such benefits. Further, eligibility was consistently high across the country, ranging from 90% to 92% (refer to Chart 4). This is of particular importance as it indicates that the eligibility threshold for special benefits ensures equitable access for those who contribute to EI. Eligibility for individuals who worked exclusively full time was 97.3% for both men and women, compared to 61.2% for individuals who worked exclusively part time. In the case of part-time workers, 64.5% of women would have been eligible to collect EI special benefits compared to 52.9% of men. As noted in

[17] The Compassionate Care benefit became effective in January 2004 and, as such, will be monitored and assessed beginning in next year's report.

previous Monitoring and Assessment reports, the lowering of the entrance requirement from 700 to 600 insured hours, which took effect on December 31, 2000, has improved access to all special benefits. In 2002/03, 19,200 new special benefits claims were established by claimants with between 600 and 699 insurable hours.

Chart 4: Eligibility for Special Benefits Among Paid Workers and Unemployment Rate, by Region, December 2001



Maternity Benefits

An analysis using the EICS indicated that among women with children aged 12 months or less in 2002, 85.1% of those with insurable employment received maternity and/or parental benefits. This represents an increase from 80.9% in 2001 and 79.2% in 2000. In addition, a recent analysis using COEP data[18] reveals that more than 90% of women who left their employment for maternity leave in 2001/02 had enough hours to qualify for benefits.[19] These findings are significant as they indicate that the vast majority of women in paid employment can access maternity and parental benefits even though a high proportion of women work part time.

In 2002, a pilot project was launched to ensure that mothers on preventative withdrawal[20] from work were able to access full benefits for the entire 50 weeks of EI maternity and parental benefit leave.[21] Under the pilot project, women in receipt of preventative withdrawal benefits have the option of either receiving partial EI benefits in addition to preventative withdrawal benefits or postponing EI maternity and parental benefits until after their preventative withdrawal benefits have terminated. After one year of the pilot, 240 of the 422 participants, or 57%, have chosen to extend their benefit period by postponing their EI and maternity benefits. These results are preliminary as they reflect only the first year of a three-year pilot project. The Department will continue to monitor and assess the project in future Monitoring and Assessment reports and an evaluation is expected to be completed in the 2004/05 fiscal year.

Parental Benefits

The parental benefits enhancements, effective on December 31, 2000, included several changes designed to improve benefit flexibility and to promote increased take-up by men. The number of parental claims established by men increased by 25.9% in 2002/03 compared to an increase of 77.8% in 2001/02, suggesting that men's participation in parental benefits is still increasing but at a slower rate likely due to the maturation of the measure. However, it should be noted that women continue to collect the vast majority of parental benefits (86.3%) and collect 30.0 weeks of parental benefits, on average, compared to 13.8 weeks, on average, for men.

The trend of improved sharing of parental benefits, identified in last year's report, has

[18] The Canadian Out of Employment Panel, COEP, is conducted by Statistics Canada on behalf of HRSD for the purposes of evaluating the Employment Insurance system. The survey has been conducted intermittently on a quarterly basis since 1993. The survey focuses on individuals who have recently experienced a job loss. Both EI claimants and non-claimants are interviewed on their labour market transition experiences.

[19] Forthcoming study – *The Qualification for Maternity Benefits and EI Reform*, Audit and Evaluation Directorate, HRSD.

[20] Pregnant and nursing women in the province of Quebec receive income replacement for preventative withdrawal if they are employed in a job that is considered to pose a threat to their health or the health of the fetus or baby.

[21] Fothcoming paper – *Projet pilote de retrait préventif*, Audit and Evaluation Directorate, HRSD.

continued. The increase in sharing of parental benefits is reflected in the ratio of parental to maternity claims. In 2002/03 there were 1.11 parental claims for every maternity claim, increasing from 0.96 parental claims per maternity claim in 1998/99, the fiscal year prior to the implementation of enhanced parental benefits. In addition to extending duration and improving accessibility, the enhancements to parental benefits also improved flexibility by allowing parents who share benefits to serve only one waiting period instead of two. In 2002/03, nearly 13,500 parental claims for men had their waiting period waived, providing further evidence of the increased sharing of benefits among parents.

The extension of EI maternity and parental benefits was accompanied by corresponding extensions for job protection under federal and provincial labour codes. In this context, a recent study examined the impact of provincial maternity and parental leave policy on the employment rates of women with young children. The study found that the employment rate of women with children two years of age or younger, increased by 2.8% to 3.6% in the presence of job protected leave,[22] which is consistent with findings from other international studies.[23] The study also found that job protected leave results in a larger increase in the employment rate of women with high school education than those who are university educated. This may be due to the fact that employment rates among those with a post-secondary education tend to be higher regardless of labour market policies. These findings are supported by a second study that found it is not necessarily the right to paid leave that is important, but the right to job-protected leave (paid or unpaid) that is relevant for the employment rate of women with young children.[24]

Sickness Benefits

During this reporting period, the number of sickness claims increased by 5.5%. When broken down by claim type, EI Administrative data indicate that the increase was primarily due to an increase in mixed claims by women, which rose by 12.3% in 2002/03 compared to a decline of 3.6% in 2001/02. This increase is likely attributable to the extension of the maximum number of weeks of special benefits from 50 to 65 weeks for biological mothers who claim sickness benefits prior to or following maternity or parental benefits, which became effective on March 3, 2002 (refer to Annexes 6 and 7). Nearly all (99.5%) of the increase in mixed sickness and maternity/parental claims can be attributed to an increase in women claiming sickness benefits prior to collecting maternity/parental benefits.

Access to Employment Benefits and Support Measures

Individuals can also access re-employment assistance under Part II of the EI program. Employment Benefits and Support Measures (EBSMs) are designed to develop the skills of unemployed Canadians and to help them to obtain and retain employment. As noted in Chapter 3, 637,754 individuals accessed active employment measures in 2002/03, an increase of nearly 12% over the previous reporting period.

Participation in EBSMs increased for all client types: active EI clients, former EI clients and non-insured clients. While the overall increase

[22] Adrienne ten Cate, *The Impact of Provincial Maternity and Parental Leave Policies on Employment Rates of Women with Young Children in Canada*, McMaster University, Department of Economics, Working Paper Series no. 2003-03.

[23] Ruhm (1998) suggested a 3 to 4 percent increase in the employment rate for women in European countries and Zveglich and van der Meulen-Rodgers (1998) found a 2.5 percent increase in Taiwan. These studies are cited in ten Cate (2003).

[24] Shelley Phipps, Peter Burton and Lynn Lethbridge, *In and Out of the Labour Market: Long-Term Income Consequences of Child-Related Interruptions to Women's Paid Work*, *Canadian Journal of Economics*, 34: 411-429, 2001.

in EBSMs paralleled that of active EI clients, it is interesting to note the significant increase of more than 16% among non-insured clients. This increase reflects the economic recovery in the reporting period given that positive economic conditions and increased job opportunities can encourage unemployed workers to request services that will help them to return to work more quickly.

Overall participation declined in long-term employment programs and increased in the shorter term employment services, consistent with the economic recovery during 2002/03. Among the employment programs, participation increased considerably in Self-Employment, more modestly in Job Creation Partnerships, and declined for all other employment program interventions, including Skills Development. Increased participation in Self-Employment and Job Creation Partnerships can also be considered to be consistent with a stronger labour market as these programs are directly related to the immediate creation of new jobs as opposed to the development of new skills.

Participation by designated groups in Part II programs remained relatively stable for all groups compared to previous years, increasing by less than a percentage point for each group.

The key EBSM short-term indicators, returns to work and unpaid benefits, both increased in 2002/03. Returns to work measures the number of insured participants who have received support through EI Part II and are working in paid employment. For 2002/03, returns to work increased by 18.1% to nearly 222,000 clients. Unpaid benefits, or the difference between a claimant's maximum entitlement to Part I benefits and the number of weeks of benefits actually paid, increased by more than 25% in 2002/03. A further measure, returns to work by intervention, showed that approximately 74% of EBSM clients who returned to work participated in only one intervention.

ADEQUACY OF BENEFITS

As in previous reports, the adequacy of EI benefits is examined from a variety of perspectives. Adequacy is examined in terms of the level of the average weekly benefit, particularly with respect to low-income claimants with children. Adequacy is also examined in terms of the duration of regular and special benefits.

Level of Benefits

In analyzing the adequacy of EI benefits, it is important to examine the degree to which average weekly benefits reflect changes in the average industrial wage.[25] Overall, the analysis indicates that the average weekly regular benefit under EI has been increasing at a rate that exceeds the growth in the average weekly earnings of the industrial wage. Since 1996/97, the average weekly benefit rate for regular benefits has increased from $272 to $309, or by 13.7%, exceeding the growth rate of the industrial wage by 3.1 percentage points.[26] During this reporting period, the average weekly benefit for total benefits increased from $304 to $308, representing an increase of 1.5% over 2001/02. This is significant because it demonstrates that EI benefits continue to adjust in relation to rising average wage rates. It is important to note that part of the cumulative increase in the average weekly benefit rate is attributable to the elimination of the intensity

[25] The methodology used to obtain the average industrial wage is now based on a year-over-year (June 30, 2002 to June 30, 2003) calculation as outlined in the EI Act. This methodology differs from that used in the *2002 Monitoring and Assessment Report* as the average industrial wage was calculated by fiscal year. This year's figures are published in the Report on the Maximum Yearly Insurable Earnings (2003 and 2002) from HRSD's Actuary's Office.

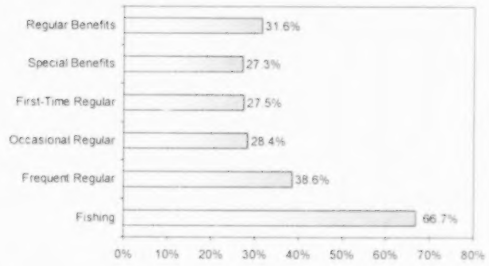
[26] The average annual earnings of the industrial wage increased from $32,237 in 1996/97 to $35,655 in 2002/03, which represents an increase of 10.6%. Results on the average weekly earnings of the industrial wage were obtained from the Statistics Canada publication *Employment Earnings and Hours*, Catalogue no. 72-002-XIB.

rule and the national implementation of the Small Weeks provision.

In addition to examining the growth in the average weekly benefit rate, the proportion of clients at the maximum benefit rate ($413) was also examined. At the time of reform, concerns were raised that the maximum insured earnings (MIE) was substantially higher than the average industrial wage. As a result, the MIE was frozen at the time of reform at $39,000 until the average industrial wage increases to an equivalent level.[27]

The analysis from this reporting period indicates that the MIE remains 9.4% above the average industrial wage ($35,655). The analysis also indicates that the proportion of regular claims in receipt of the maximum weekly benefit rate increased from 30.0% in 2001/02 to 31.6% in 2002/03, reflecting increases in average wage rates.[28] It is important to note that first-time and occasional claimants are much less likely to be in receipt of the maximum benefit rate than frequent claimants and fishing claimants (refer to Chart 5).

Chart 5: Percentage of EI Claims Receiving the Maximum Weekly Benefit Rate



In examining the adequacy of benefits, it is important to note that the benefit repayment provision was modified, effective tax year 2000, to better target higher income repeat claimants. The analysis for tax year 2001 indicates that the modifications resulted in higher net EI benefits for regular beneficiaries as the repayment of approximately $21.2 million in benefits by first-time recipients and $53.7 million by recipients of special benefits was not required. In 2001, 83,981 individuals repaid some of their EI benefits, a significant decline of 41.7% over 1999 (refer to Annex 2.14).

As in previous years, the vast majority (91.3%) of claimants affected by the repayment provision were men. The number of men affected by the repayment provision declined by 38.7% versus a decline of 61.8% for women. The larger decline for women is associated with the fact that women make greater use of special benefits, which are now exempt from the repayment provision. These findings indicate that the modifications to the repayment provision have resulted in higher net benefits for many EI beneficiaries.

Benefits to Low-Income Families – Family Supplement

Adequacy of EI benefits is also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with children.[29] The Family Supplement replaced the 60% dependency benefit rate for low-income individuals with dependent children under previous legislation (Unemployment Insurance) and was designed to better target assistance to

[27] Since 1997 the MIE has been $39,000. Under section 5 of the EI Act, the MIE is adjusted based on the average weekly earnings of the industrial aggregate. Prior to 1997 the MIE was indexed each year based on an eight-year moving average of employees' annual average earnings.

[28] Data on the average industrial wage was taken from the Report on the Maximum Yearly Insurable Earnings for 2003 and 2002 (HRSD's Actuary Office). Data on the benefit rate were taken from the August 2003 Status Vector.

[29] Includes all claim types (regular, fishing, special).

low-income claimants.[30] The Family Supplement increases the benefit rate from 55% to 80% for unemployed parents with net family incomes of $25,921 or less.[31]

As indicated in Chapter 2, nearly 183,000 individuals received the Family Supplement top-up during the reporting period. In total, $182.5 million in additional benefits were paid to low-income families during this reporting period, an increase of 3.8% from 2001/02, with the average weekly top-up being $42. As noted in previous reports, the number of beneficiaries receiving the Family Supplement has declined since 1998/99 and can be traced to family income increasing while the Family Supplement threshold remains fixed at $25,921. A recent HRSD study confirmed that the fixed threshold has led to a decreased share of Family Supplement claims relative to all EI claims.[32] In the current reporting period, the proportion of all beneficiaries receiving the Family Supplement remained stable at 9.8%, as did the proportion of Family Supplement recipients among regular beneficiaries (8.7%).

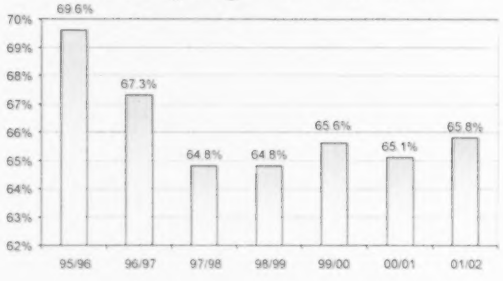
Concerns had been raised at the time of reform that increasing the benefit replacement rate to low-income families from 60% to 80% may reduce work incentives. However, an HRSD study, updated for this report, concluded that there does not appear to be a disincentive effect. The study found that between 1994 and 2002 the average number of weeks on UI/EI, excluding maternity and parental benefits, decreased by 1.0 week for claimants in receipt of the dependency rate/Family Supplement and 2.7 weeks for other claimants.

It is also important to note that women continue to be the primary recipients of the Family Supplement. Total Family Supplement payments to women increased by just over 9% while payments to men declined by almost 10%. The share of total Family Supplement benefits paid to women increased nearly 4 percentage points to just over three-quarters. The increase can be traced to the enhancement of parental benefits, as women account for nearly three-quarters of all special benefits claims. Women's share of regular EI claims with the Family Supplement was 65%. It is also important to note that 15.6% of women claimants are entitled to the Family Supplement in comparison to 4.9% of men who claim EI.

Regular Claim Duration

Regular EI beneficiaries can receive between 14 and 45 weeks in income support depending on the region in which they establish a claim. EI reform reduced the maximum number of weeks from 50 to 45 weeks. This had led to concerns about the adequacy of EI benefits for claimants who are between jobs. As in previous reports, results indicate that, on average, regular beneficiaries collected less than two-thirds of the weeks that they were eligible to receive (refer to Chart 6).[33] This is significant because it indicates that the proportion of entitlement used remained stable during the economic slowdown of 2001/02.

Chart 6: Proportion of Entitlement Used by Regular Claimants



[30] Please refer to Annex 1 of the *2000 Monitoring and Assessment Report* for more detailed information on the Family Supplement replacing the dependency provision that existed under Unemployment Insurance.

[31] Like other claimants, claimants receiving the Family Supplement are subject to a maximum weekly benefit of $413.

[32] Forthcoming study – *Family Supplement*, Audit and Evaluation Directorate, HRSD.

[33] It is important to note that the data and analysis on claim duration are lagged to reflect the 2001/02 period in order to measure completed claims.

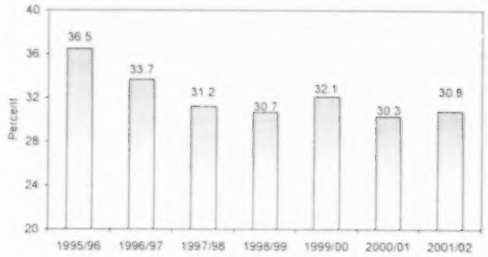
The percentage of entitlement used was highest in Newfoundland and Labrador (74.9%), Prince Edward Island (74.9%), New Brunswick (69.3%) and Nova Scotia (68.8%), reflecting higher unemployment rates and fewer job opportunities in these provinces. The percentage of entitlement used was lowest in Ontario, where the average entitlement used increased significantly in 2001/02 from 60.8% to 63.9%. This is consistent with the slowdown in the goods-producing sector in 2001/02. Men, on average, used 64.9% of their entitlement to regular benefits, which is consistent with previous years. Women used 67.1% of their entitlement, on average, which is also about the same as in the previous period (66.9%).

Another way to assess whether the number of weeks of entitlement is sufficient is to examine the degree to which claimants exhaust all of their weeks of benefits. Results for 2001/02 indicated that the proportion of regular beneficiaries who used all their weeks of benefits increased by 0.5 percentage points to 30.8%, despite the economic slowdown in 2001/02. Moreover, the proportion of frequent claimants who exhausted their benefits remained stable at 24.4%.

The proportion of women who exhausted benefits (33.2%), although stable over the previous reporting period, was slightly higher than men (29.2%). The higher exhaustion rate for women may be attributable to the fact that women, on average, are entitled to fewer weeks of benefits (31 versus 33 weeks for men) as a consequence of establishing a claim for benefits with fewer hours of insurable employment. It is important to note that on average, youth (<25 years) had the lowest (29.0%) exhaustion rate among all age cohorts, which is attributable to the fact that they frequently enter and exit the labour market while attending school. In comparison, older workers (55+ years) had the highest exhaustion rate at 38.9%, which may be due to the greater level of difficulty they experience in re-entering the work force.

Overall, the analysis indicates that the proportion of EI claimants exhausting their entitlement has decreased. Since 1995/96, the proportion of regular claimants exhausting their benefits has declined from 36.5% to 30.8% (refer to Chart 7).

Chart 7: Proportion of Regular Claimants Exhausting Benefits



At the time of EI reform, concerns were also raised that more individuals may need to turn to social assistance because their maximum weeks of entitlement had been reduced. Findings from an ongoing HRSD study indicate that only a small proportion of individuals who lost their job moved on to social assistance 10 to 12 months after job loss.[34] The study concluded that use of social assistance by EI clients declined from 6.2% in 1995/96 to 2.5% in 2000/01 and increased slightly to 3.8% in 2001/02.[35] The increase for EI claimants in 2001/02 reflects the economic slowdown in that period. However, it is important to note that the proportion of claimants who turned to social assistance

[34] Forthcoming study – *Did the Exhaustion of UI/EI Benefits and the Take-up of Social Assistance Change After EI Reform?* Audit and Evaluation Directorate, HRSD.

[35] These results are based on the Canadian Out-of-Employment (COEP) survey, which is conducted approximately 12 months after job separation.

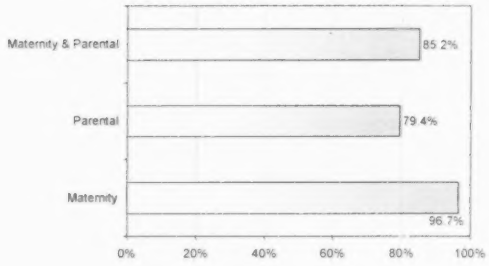
remained significantly lower than in the pre-reform period. Another study, prepared by the former HRDC,[36] confirms that only a small proportion of individuals who exhaust their EI entitlement move on to social assistance within a year. However, it also shows that individuals may not appear as social assistance clients until after some time has elapsed.

It must also be acknowledged that some of the decline in EI claimants turning to social assistance may be due to the National Child Benefit, introduced in 1998, which increased payments to low-income families with children. Part of the decline may also be attributable to changes in eligibility for provincial and territorial social assistance programs.

Special Benefits Claim Duration – Maternity & Parental

A key objective of the enhancements to maternity and parental benefits was to allow parents more time to spend at home with their newly born or adopted children by extending the number of weeks that benefits are available. The analysis for this reporting period indicates that a significant portion of the available entitlement is being collected (refer to Chart 8). When parental benefits are combined with maternity benefits and the waiting period, parents are using at least 85.2% of the full year available to them.[37] This indicates that the enhancements in parental benefits has met its objectives and provides families with increased flexibility to care for their newly born or adopted children for an extended period of time.

Chart 8: Proportion of Entitlement Used by Maternity and Parental Claimants (2002/03)



A forthcoming HRSD study examines the impact of enhanced parental benefits in terms of determinants of mothers' time at home following childbirth.[38] The study finds that prior to 2001, approximately 70% of mothers who received EI had returned to work within seven to eight months following childbirth. However, of mothers who had given birth in either 2001 or 2002, just over 20% of mothers had returned to work in this same time frame. Over 70% of mothers who received EI in 2001 or 2002 were off work for a minimum of 11 months. The study also found that the self-employed, who do not have access to EI benefits, retuned to work much more quickly than those in paid-employment. While the lack of income support was seen to be important, the need to maintain their clientele base and network also influences the decision of the self-employed to return to work more quickly.

Concern was expressed at the time of the parental enhancements that only parents in higher income households would be able to take full advantage of the extension of benefits due to the reduction in household income that would likely occur. The HRSD

[36] Alex Grey, *Employment Insurance and Social Assistance: Evidence on Program Interaction*, Applied Research Branch, HRDC, January 2002.

[37] To ensure that the analysis of weeks paid is based on completed claims, the data cover all parental claims that commenced during the first half of the reporting period. Due to data limitations associated with privacy concerns, these figures are derived solely from administrative data and are therefore based only on average duration of maternity and parental benefits. They do not take into account the sharing of benefits and, consequently, represent a conservative estimate of the use of parental benefits.

[38] Forthcoming study – *Determinants of mothers' time at home after childbirth: The role of maternity and parental leave policy*, Adrienne ten Cate, HRSD.

study referred to above also found that overall household income in the month before childbirth did not significantly affect the duration of time at home. These findings are consistent with a second study[39] that found that a mother's own wage was more important than overall household income in determining whether she returned to work within nine months of childbirth.

The analysis also indicates that the Family Supplement is working as intended by ensuring that lower income claimants can fully access maternity and parental benefits. The analysis indicated that beneficiaries in receipt of the Family Supplement collected, on average, 1.3 weeks of maternity and parental benefits more than all claimants (43.6 weeks versus 42.3 weeks). This suggests that the Family Supplement top-up is allowing lower income workers to stay home with their children.

Under the EI Act and Regulations, employers and provinces are encouraged to provide financial support to enhance EI benefits. It is thought that these voluntary top-ups, referred to as Supplementary Unemployment Benefits (SUB), may influence the length of time that individuals collect maternity and parental benefits. In the *2002 Monitoring and Assessment Report*, a commitment was made to examine the issue of top-ups to EI benefits. The HRSD study on determinants of mothers' time at home after childbirth examined the issue of top-ups. Using data from the Employment Insurance Coverage Survey, the study examined mothers who received EI and were in receipt of a top-up. The study found that those who received a top-up were less likely to have short leaves and were more likely to return to work within one year. This could be because receiving a top-up is often conditional upon returning to the same employer after childbirth and returning within a specified amount of time. The study also determined that the probability of receiving a top-up to EI was significantly associated with household income and a mother's education. Among mothers who received EI benefits, those who had a higher household income in the month before childbirth and those who were university educated were more likely to receive a top-up than other mothers.

Special Benefit Claim Duration – Sickness

EI claimants can access up to 15 weeks of sickness benefits. An analysis of the adequacy of sickness benefits was undertaken by examining the number of weeks of sickness benefits collected. The analysis indicates that, on average, claimants collected 9.6 weeks or 64% of the maximum entitlement. In addition, one-third of sickness beneficiaries collected the maximum 15 weeks of benefits. Overall, these results indicate that the 15 weeks of sickness benefits provided by the EI program is meeting the needs of most claimants. It should also be noted that nearly half (49.1%) of sickness claimants collected between 11 and 15 weeks of benefits, with 21.6% receiving between 6 and 10 weeks, and 29.3% receiving between 1 and 5 weeks of benefits.

A preliminary comparison, using EI Administrative data, of claimants who collected the maximum 15 weeks of sickness benefits to those who collected less than the maximum did not show any significant difference with respect to gender and only a slightly higher proportion of claimants over 45 years of age. Average weekly benefits for claimants who collected sickness benefits for 15 weeks were $273, which is not significantly different than the average benefit for all sickness claimants ($276). The analysis also determined that slightly less than two-thirds of all claimants

[39] Katherine Marshall, *Benefiting from Extended Parental Leave*, Statistics Canada, March 2003, Catalogue no. 75-001-XIE.

who collected the maximum 15 weeks of sickness benefits received sickness benefits exclusively, that is, sickness benefits were not collected in conjunction with regular or maternity/parental benefits. The exhaustion of sickness benefits will continue to be monitored and assessed in future reports.

V. Promoting Work Force Attachment

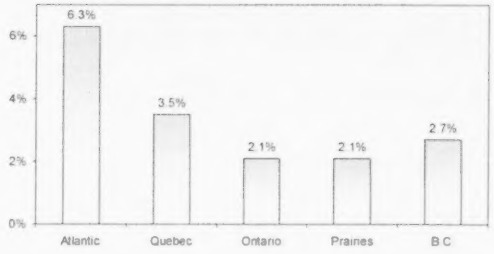
In addition to providing adequate temporary income support, an important objective of EI is to encourage greater work force attachment. As a result, the EI program has been designed with certain features that are meant to strengthen the link between work effort and benefits. While there are several features within the program that are intended to encourage labour force attachment, the analysis in this chapter focuses on three specific elements: the divisor, working while on claim, and the Small Weeks provision.

Divisor

Under the "divisor" rule, all claimants are required to work two weeks beyond their minimum entrance requirement to be entitled to full benefits.[40] As noted in previous reports, the analysis indicates that the proportion of individuals who did not work at least two weeks beyond their minimum entrance requirements dropped from 6.0% just prior to EI reform to 3.9% immediately after the divisor was implemented to 2.5% by the end of 1997.[41] This proportion has remained relatively stable since, indicating that the divisor encouraged a significant behavioural adjustment.

As indicated in Chart 9, a higher proportion of workers in the Atlantic provinces and Quebec are affected by the divisor than in Ontario and the Western provinces. In the Atlantic region, where unemployment rates are higher and seasonal work is more frequent, just over 6% of claimants failed to find the extra two weeks of work.

Chart 9: Proportion of Regular Claims Affected by the Divisor, by Region 2002/03



Working While on Claim[42]

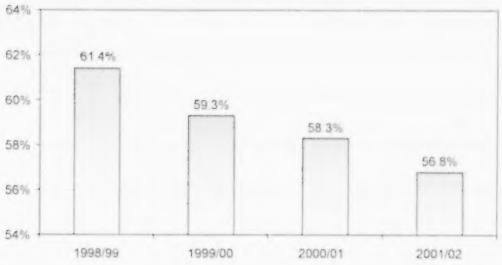
The working-while-on-claim provision allows claimants to earn the greater of 25% of their weekly benefit rate or $50, referred to as allowable earnings, without incurring a reduction in their weekly benefit rate. Employment earnings above the allowable earnings threshold are deducted dollar for dollar from the claimant's weekly benefit. If a claimant's weekly benefit is reduced to zero, that week of entitlement may be deferred and used later. However, if a claimant only works enough to reduce, but not eliminate his or her benefits for a week, the week still counts as a week of entitlement.

As has been reported in previous Monitoring and Assessment reports, there has been a declining proportion of regular claimants reporting work while on claim (refer to Chart 10). In 2001/02, 56.8% of regular claimants worked while on claim, down from 58.3% in the previous reporting period. Similar to previous reporting periods, the decline in regular claimants working

[40] Refer to Chapter 2 of the *2001 Monitoring and Assessment Report* for descriptive information on the divisor.
[41] Forthcoming study – *Has the Relationship between Insured Employment Weeks and Entrance Requirements been Changed by the Divisor?*, Audit and Evaluation, HRSD.
[42] Analysis of the working-while-on-claim provision has been lagged by one year to ensure that claims are completed. The definition of working while on claims includes all claimants who earned income during their EI benefit period.

while on claim can be directly tied to the reduction in frequent claimants working while on claim. The proportion of regular claimants that worked while on claim, who were frequent claimants, declined from 29.1% in 1996/97 to 22.5% in 2001/02. This represents a decline of 6.6 percentage points compared to an overall reduction of 5.8 percentage points for all claimants working while on claim over the same time period.

Chart 10: Proportion of Regular Claimants Working While on Claim



Evidence from EI Administrative data continues to support the finding that the working-while-on-claim provision may not be encouraging claimants to accept all available work while on claim. As in previous reporting periods, most weeks worked while on claim (64%) were "full" weeks, meaning that earnings were high enough to completely offset the payment of EI benefits for that week.[43] Just over one-quarter (27.2%) of weeks worked while on claim had earnings that were insufficient to reduce the claimants' benefit to zero. Frequent EI claimants were less likely to work a partial week as more than 74.4% of their weeks worked were a "full" week, compared to 61.3% for occasional claimants and 47.6% for first-time claimants. In contrast, only 18.4% of weeks worked by frequent claimants were partial benefit weeks. This is significantly lower than the 30.3% of weeks worked by occasional claimants and the 40.3% for first-time claimants. An HRSD study using COEP data corroborates the findings from the administrative data, showing that frequent claimants are less likely to work partial weeks relative to full weeks[44].

Given the complexity of the working-while-on-claim provision, frequent claimants have a much greater knowledge of how the EI program functions and are more reluctant to accept work that pays less than they would collect in EI benefits. Further, as reported in last year's Monitoring and Assessment report, an external study of the allowable earnings provision corroborates the HRSD findings that the working-while-on-claim provision may not be encouraging claimants to accept all work available and that they may be hesitant to work while on claim unless they can reduce their overall benefits to zero and thereby keep the week of benefits for later use.[45] These findings suggest that continued monitoring and assessment of the working-while-on-claim provision is required.

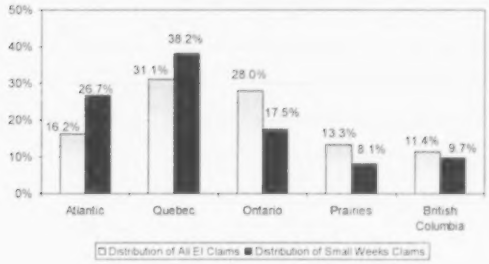
Small Weeks

The Small Weeks provision excludes from the benefit calculation weeks with lower earnings (less than $150), or "small" weeks, so that these weeks will not affect workers' potential EI entitlement on a future claim, hence encouraging these workers to accept all available work.[46] Results for 2002/03 indicate that 9.9% of all EI claims established included small weeks. This represents an increase of

[43] Refer to Chapter 2 of the *2001 Monitoring and Assessment Report* for detailed information on the analysis on the working-while-on-claim provision.
[44] Forthcoming study – *EI Reform and Working While on Claim*, Audit and Evaluation Directorate, HRSD.
[45] David Gray & Shawn de Raaf, *The Impact of the Allowable Earnings Provision on EI Dependency*, Social Research and Demonstration Corporation, September 2002.
[46] Effective September 7, 2003, small weeks earnings were adjusted to $225 to better reflect increases in wages.

nearly two percentage points over the previous reporting period (8.1%). An analysis using EI Administrative data indicates that the Small Weeks provision is providing clients with a higher weekly benefit rate. On average, weekly benefits were $227 or $12 higher in 2002/03 than they would have been without the Small Weeks provision. This compares to $14 in 2001/02. As noted in last year's report, Atlantic Canada and Quebec have a significantly larger proportion of small weeks claims in comparison to the national distribution of claims (refer to Chart 11). The Small Weeks provision with its revised low earnings threshold ($225) will continue to be monitored and assessed in future reports.

Chart 11: Distribution of National EI Claims and Small Weeks Claims (2002/03)



VI. Evaluation of Employment Benefits and Support Measures

A two-phase approach has been implemented within the Labour Market Development Agreement (LMDA)/Employment Benefits and Support Measures (EBSMs) evaluation framework. The first phase is comprised of formative evaluations focused on program design, delivery and implementation issues. In the second phase, summative evaluations are focused on programs' outcomes, external impacts and cost-effectiveness in achieving these results.

Previous EI Monitoring and Assessment reports have presented results from the formative evaluations of EBSMs. This report presents preliminary results from the summative evaluations of British Columbia, Quebec and Newfoundland and Labrador.[47]

BRITISH COLUMBIA

Under the Canada-British Columbia LMDA, the federal and provincial governments work in concert on the design, management and evaluation of the EBSMs. The responsibility for the delivery of the programs and services rests with the federal government. The Canada-British Columbia Joint Management Committee expects to finalize the evaluation report and findings by spring 2004.

The summative evaluation used both quantitative and qualitative methodologies to assess the impacts on clients who completed their program activities in fiscal year 2000/01. Quantitative methods included completed surveys of 2,094 participants and 2,765 non-participants. Qualitative methods consisted of document review, key informant interviews, focus groups, case studies, panel reviews, and a panel of labour market experts. Client impacts were estimated for active EI clients and former EI clients and covered employment benefits (Targeted Wage Subsidy, Self-Employment Assistance, Job Creation Partnerships, and Skills Development) and Employment Assistance Services.[48]

The focus of the evaluation centred around four principal indicators: employment, earnings, EI benefits, and Income Assistance benefits. These impacts were estimated using a

[47] The methodology used in the summative evaluations is outlined in Annex 5.
[48] Apprentices and Group Services were excluded from the estimation of client impacts.

variety of statistical techniques for three different post-program time periods.[49]

The preliminary findings under the British Columbia summative evaluation indicate that client results are positive in some areas, while in others there are no significant improvements. An additional analysis is under way to validate and finalize the measurement of program impacts.

While there are indications of positive program impacts on hours worked for active EI clients, this was not the case for former EI clients assisted. The employment impact as a result of interventions and assistance provided to active EI clients was assessed using a variety of approaches, which consistently identified positive employment effects. In terms of hours of employment, male participants had most gains in the first 18 months while female clients exhibited stronger gains in the 19 to 24-month window. These positive impacts were primarily for active EI clients participating in Skills Development and Self-Employment Assistance.

For former EI clients, there were no positive employment impacts overall. Early indications are that former clients have experienced the same or fewer hours of employment in the first 24 months after their participation. The main exception to this was former EI clients taking Targeted Wage subsidies, who experienced positive impacts in terms of hours of employment.

The impact on earnings also appears to be mixed. The estimates of impacts on earnings showed limited gains for active EI clients towards the end of the post-program period. For former EI clients, only those with the Targeted Wage Subsidy as a principal intervention reported an increase in earnings. This is similar to the pattern for employment gains.

Reductions in the use of EI following EBSM participation were minimal at best. Overall, survey findings indicate an increased use of EI by active EI clients, particularly in the 12-month post-program period. There are modest indications, however, of reduced reliance on EI among Self-Employment participants.

This lack of evidence of an overall reduction in EI use, from survey findings, is somewhat consistent with estimates based on Medium Term Indicators.[50] Results from Medium Term Indicators suggest only very modest decreases in the use of EI for active EI clients in the 12-month post-program period. Reductions in EI use were most notable for those who participated in Self-Employment Assistance and Skills Development. Overall, Medium Term Indicators suggest that active EI clients claimed about one week less in EI benefits during the first 12 months, versus the comparison group, and up to one week less in EI in the second year. Both estimation approaches (survey and Medium Term Indicators) indicate a minimal impact on reducing EI use for active EI clients following participation.

Overall there appears to be no widespread impact on subsequent use of provincial income assistance for former EI clients, but some groups did report reductions. Impacts on provincial Income Assistance benefits use were mixed for former EI clients after program participation. Former EI clients participating in Skills Development, Targeted Wage Subsidy and Job Creation Partnerships saw some decrease in Income Assistance usage. Male participants decreased their use of Income Assistance benefits only during the 19 to 24-month post-program period. The results for female participants were also mixed.

[49] 1 to 12 months, 13 to 18 months, and 19 to 24 months post-program.

[50] Both the sample (active EI client Administrative data) and methodology (for net impact estimation) used in the Medium Term Indicators Project differed from that of the survey data analysis.

Given concerns over the need to reduce reliance on government income support assistance, more analysis is being conducted in an effort to understand the patterns exhibited by these preliminary indications of a limited reduction in EI and Income Assistance.

EBSM participants reported positive effects on skills acquisition and interest in further training. Average skill levels of jobs in the post-program period were slightly higher than those of jobs in the pre-program period for all participants.[51] Overall, participants felt that they currently brought higher job skills to the work force. Self-Employment participants had the most positive perception of their skills.

EBSMs may affect attitudes toward future learning. Eighty-nine percent of all participants compared to 76% of comparison group members felt they could benefit from further education to increase their skills. In addition, at the time of the survey, 50% of participants had taken a training course, volunteered or gone back to school in the post-participation period. In contrast, 35% of comparison individuals said they had either taken a training course, gone back to school or volunteered in the post-participation period.

SUMMARY OVERVIEW - BRITISH COLUMBIA

The following table outlines a summary overview for EBSMs as a whole, based on the evidence discussed above. The findings are presented in terms of the intended effects from EBSM assistance to clients. The outcome indicators included in the summary table represent the principal common indicators of success given the stated objectives of the EBSMs.

With respect to active EI clients, the evidence from the evaluation indicates a basic direction of client impacts that is consistent with the intended effects from EBSMs. It should be noted, however, that the positive assessment for reduced EI dependence is, at most, of a very limited extent.

With respect to former EI clients, the evaluation findings have not identified general evidence of improvements in employment and

Table 2: Principal Common Results Indicators for EBSMs
Estimated Overall Clientele Impacts to Date Versus Comparison Group

Employment Benefits and Support Measures Intended Effects	Evaluation Results	
	Active Employment Insurance Clients	Former Employment Insurance Clients
➢ Improved Employment Duration	↑	*
➢ Improved Earnings	↑	*
➢ Reduced Government Income Support		
• Welfare Use	*	*
• Employment Insurance Use	↓ (but at most very limited)	*

Source: Human Resources and Skills Development and Government of British Columbia

↑ improvement (increase)
↓ improvement (decrease)
* no improvement

[51] Based on occupational coding for longest pre- and post-job.

earnings, or of reduced reliance on income support. Work will continue to more clearly understand why these outcomes are occurring.

When the analysis of these preliminary patterns is finalized, the joint federal-provincial evaluation will provide more precision on the quantitative estimates of program impacts. It will also present information on the causal factors regarding the results indicated.

QUEBEC

Under the Canada-Quebec LMDA, Quebec is responsible for designing, implementing and evaluating EBSMs. Quebec has a multi-year evaluation plan covering the various aspects of results achievement. To date, Quebec has evaluated its active measures from two approaches. First, it examined termination rates and the reasons for termination. Second, active measures were evaluated with the exception of the Self-Employment Assistance program, which is the subject of a separate study with results expected to be available in the spring of 2004. The study on cost-effectiveness is in the preparation stage.

The preliminary results of the evaluation of the impacts on EI clients are based on surveys with 1,777 participants and 1,016 non-participants, and matching of survey data with the administrative files of HRSD and Quebec's Ministère de l'Emploi, de la Solidarité sociale et de la Famille (MESSF) with the consent of the people who completed the survey.

MESSF provided HRSD with the draft evaluation report, along with a detailed methodology document, in January 2004. HRSD is examining the two reports to better understand the evaluation methodology and the results. The following preliminary results are based on the evaluation data provided by the government of Quebec in August 2003, as well as the draft reports.

Employment outcomes were positive in the post-program period, particularly for former EI clients. There are indications that the employment situation of participants improved during the period following participation in EBSMs. Net impacts varied depending on the employment indicator and the EI client group. The following table presents these results.

For former EI clients, the findings generally indicate significant positive impacts on employment, both in terms of finding a job

Table 3: Employment Outcomes

Employment Indicators	Active Employment Insurance Clients	Former Employment Insurance Clients
Held at least one job in the post-program period (12 months)	*	↑
Held at least one job in the post-program period (18 months)	↑	↑
Held a new job in the post-program period (12 and 18 months)	↑	↑
Employed at the time of the survey (average of 23 months)	*	↑
Number of weeks employed in the post-program period (12 and 18 months)	*	*
Difference in the percentage of weeks employed 12 months pre-/post-program.	*	↑
Difference in the percentage of weeks employed with 30 hours or more 12 months pre-/post-program.	*	↑
Difference in the total number of hours worked 12 months pre-/post-program.	*	↑

↑ Positive and significant result
* Non-significant result

and the total duration of employment over the post-program period.

Active EI clients had an increased likelihood of being employed during the post-program period, both in terms of finding a different job than before the intervention or a new job. In terms of the other employment indicators, notably the percentage of time employed and total hours worked, there were no significant impacts from participation.

The impacts of EBSMs on earnings are positive for former EI clients but are not significant for active EI clients. Similar to the main employment related indicators, EBSMs resulted in positive and significant impacts only for former EI clients. When comparing the before and after program periods, active EI clients reported no significant gains in earnings.

Results on reduced government income support are mixed. Program participation resulted in reduced reliance on social assistance (called employment assistance in Quebec) for former EI clients. However, in terms of net impacts, both former and active EI clients increased their use of EI following program participation.

Skills Development had a significant impact. Overall, Skills Development had a significant effect on employment and earnings for former EI clients. For active EI clients participating in Skills Development, numerous employment indicators demonstrate positive impacts but earnings impacts remained statistically insignificant.

Despite the positive impacts on employment and earnings for former EI clients, the Targeted Wage Subsidy and a combination of interventions had the effect of increasing the use of Employment Insurance for both active and former EI clients.

SUMMARY OVERVIEW – QUEBEC

As in the case of British Columbia, the following table provides a summary overview for EBSMs as a whole in Quebec, based on the findings discussed above. The outcome indicators included in the summary table represent the principal common indicators of success given the stated objectives of the EBSMs.

Evidence from the evaluation indicates that the EBSMs delivered in Quebec have achieved some of the intended results in terms of increasing employment duration and earnings for former EI clients. The evidence also indicates decreasing reliance on provincial income support assistance, but not EI, for this client group.

With respect to active EI clients, the evaluation evidence indicates an increased probability of being employed during the post-program period, but does not indicate gains in employment duration or earnings (the results

Table 4: Principal Common Results Indicators for EBSMs Estimated Overall Clientele Impacts to Date Versus Comparison Group

Employment Benefits and Support Measures Intended Effects	Evaluation Results	
	Active EI Clients	Former EI Clients
➢ Improved Employment Duration	*	↑
➢ Improved Earnings	*	↑
➢ Reduced Government Income Support		
• Welfare Use	*	↓
• Employment Insurance Use	*	*

Source: Government of Quebec

↑ improvement (increase)
↓ improvement (decrease)
* no improvement

are not statistically significant). Further, there is no reduction in reliance on government income support assistance. Consequently, based on the findings, it is not possible to conclude that there are positive impacts with respect to results achieved for this client group.

NEWFOUNDLAND AND LABRADOR

The summative evaluation methodology incorporated multiple lines of evidence to assess the impact on clients completing an intervention in fiscal year 2000/01. Survey completions, numbering 2,201 for participants and 2,414 for the comparison group, are being used in conjunction with administrative data to estimate impacts. Qualitative methods, including document review, key informant interviews, focus groups, and case studies have been carried out, and a survey of service delivery staff is planned. Estimates of net client impacts using comparison group data are currently being developed and are not available for inclusion in this report.

A preliminary analysis of survey responses does indicate, however, some valuable information on skills acquisition among EBSM clients. In particular, skills acquisition among Skills Development participants was high—with the majority (90%) having completed classroom training as planned and 93% having received a diploma or certificate. The link between acquired skills and labour market demand was strong with 69% reporting the application of these newly acquired skills on the job.[52]

In addition, almost half of all survey respondents stated that EBSM participation was an important factor in obtaining the job. These findings were reinforced by the fact that 61% needed specific skills to qualify for the job and, for half of these clients, the skills were acquired as a result of the EBSM intervention.

Skills enhancement among EBSM participants did not end with the intervention. Following program participation, one-quarter of all EBSM participants enrolled in training, 14% went to school and one-third did voluntary work to augment their skills. More positive attitudes to further training may also be an outcome of program participation, since a majority of EBSM clients (85%) stated that further skills upgrading through additional training and education would be beneficial.

The vast majority of clients also indicated that EBSMs were a significant factor in removing or reducing problems related to finding and keeping a job.

The extent to which the skills and training were successful in achieving the objectives of increased employment and earnings, and reduced dependence on government income support assistance, will be reported in the future. While there are indications that EBSMs are assisting clients in preparing for employment, it has yet to be determined if the programs made a difference in the labour market outcomes of clients in Newfoundland and Labrador.

Future Work

The British Columbia and Newfoundland and Labrador evaluation reports will be completed in spring 2004. Public release will follow later in the year. It is important to note that evaluation results by jurisdiction relate very closely to local socio-economic realities and program design. As such, the results for British Columbia, Newfoundland and Labrador and Quebec are not necessarily representative of the results of EBSMs delivered in other jurisdictions.

[52] Longest job held post-program.

VII. Work Force – Employer's Perspective

This report includes an expanded analysis from the employer's perspective, specifically with respect to Work Sharing and enhanced parental benefits. An analysis from the employer's perspective will continue to be broadened in future Monitoring and Assessment reports.

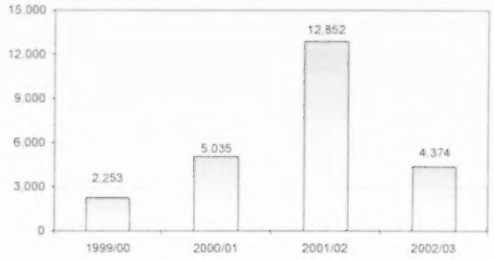
Work Sharing

As referred to in Chapter 2, the EI program includes a Work Sharing initiative designed to facilitate a redistribution of work among employees of a firm to avoid layoffs. Work Sharing provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced workweek when there is a reduction in the normal level of business activity that is beyond the control of the employer.

During 2002/03, 15,819 new Work Sharing claims were established and it is estimated that 4,374 layoffs were averted or postponed as a result of Work Sharing agreements. Given that the economy was recovering in 2002/03, the Work Sharing program was used to a far lesser extent than in the previous reporting period (refer to Chart 12), with 67% fewer claims established and 66% fewer layoffs averted or postponed.

A recent study examined the Work Sharing program from the perspective of employers.[53] Case studies and interviews with employers were undertaken to examine the rationale behind employers' use of the Work Sharing program by various firms. The results indicated that companies participated in Work Sharing in order to maintain their skilled work force. The key benefit of the Work Sharing program from the firm's perspective is that it allows them to retain their core work force during temporary slowdowns, thereby avoiding future hiring and retraining costs associated with employee turnover.

Chart 12: Layoffs Averted or Postponed Through Work Sharing



Enhanced Parental Benefits

Prior to the implementation of enhanced parental benefits, concern had been expressed that employers may be unduly burdened in finding and training replacement workers for parents who take an extended leave of absence to care for their newly born or adopted child. In this context it is important to examine the impact of the enhanced benefits from the employer's perspective.

In order to observe the impact of enhanced parental benefits, over 650 employers were surveyed.[54] Findings from the survey indicate that employers, overall, are very supportive of the extension of parental benefits and have not encountered any major difficulties when their employees take advantage of the enhanced leave. Further, with respect to profitability, growth and the ability to attract and retain workers, the majority of employers have not experienced, or do not anticipate, any negative impacts of the new program. The only exception was small employers who had no experience with employees taking extended parental leave. Small employers who had

[53] Forthcoming study – *Findings from the Employer's Perspective from the Evaluation of the Work Sharing Program*, Audit and Evaluation Directorate, HRSD.
[54] Forthcoming study – *Selected Highlights for EI Parental Benefits*, Audit and Evaluation Directorate, HRSD.

experience with extended parental leave were supportive of the initiative.

VIII. Savings

Introduction

In 1995 it was estimated that EI reform would generate a total of $2.025 billion or 11.4% of program expenditures in savings by 2001-2002, and that the savings would be achieved through:[55]

- reduced income benefits due to changes made to the claimant's eligibility and benefits ($1.560 billion);
- increased sanctions for fraud through new and higher penalties for fraud for employers and employees ($245 million);
- enhanced services for assisting claimants intended to help claimants return to work faster ($120 million); and
- simplification of program administration ($100 million).

In order to minimize the impact of reform and to foster the development of skills, a portion of the savings, $800 million by 2001-2002, was to be reinvested in active employment benefits.

Overview of Total Savings

The task of determining savings, particularly those arising from changes to income benefits is a challenging exercise as it is difficult to distinguish the impacts from structural change in the labour market, changes in the economy and behavioural changes on the part of individuals and employers. It is particularly important to note that the period since EI reform has been characterized by a strong economy and reduced reliance on the program. In addition, the program has undergone substantial changes following EI reform, which makes it difficult to assess the independent impact of the 1996/97 reforms.

Table 5 provides a summary of the estimated savings and reinvestment in active measures that are attributable to EI reform. It is important to note that this assessment is based solely on the provisions that were introduced at the time of reform and that further amendments, such as enhancements to parental benefits, have been disregarded for the purposes of this analysis.

Overall, Table 5 indicates that total savings from EI are estimated to be $1.2 billion. While savings from EI reform are lower than originally forecast, they are substantial given that the savings forecast assumed much higher program expenditures. As a result of the strong economy and lower unemployment rates since EI reform, actual expenditures were much lower than those forecasted.[56]

It should also be noted that part of the difference between forecasted and actual savings can be attributed to the savings foregone when the intensity rule and experience rated elements of the benefit repayment provisions were removed from the legislation.[57] Estimates indicate that, if those provisions had remained in place, a further $163 million in savings would have been achieved. Table 5 also indicates that savings from increased sanctions for fraud and from administrative simplification were also lower that expected.

[55] The reduction was determined by forecasting EI expenditures in 2001/02 without EI reform in comparison to forecasted expenditures with EI reform. It was estimated that without reform program expenditures would have been $17.5 billion in 2001/02.

[56] At the time of reform EI expenditures of $17.5 billion were forecasted for 2001/02. Actual EI expenditures in 2001/02 are $11.5 billion.

[57] See Annex 7 for details on how and when these provisions were modified.

In conclusion, the $1.2 billion in savings achieved represents about 10.4% of program expenditures in 2001/02, which is in line with the original estimate.[58] As noted earlier in this chapter, a summative evaluation of EI income benefits is being undertaken. As part of this work, a final assessment will be done of savings achieved from EI reform. Once completed, these results will be made available in a future Monitoring and Assessment report.

Reduced Income Benefits

The estimate of income benefits savings was calculated using administrative data and a micro-simulation model. Using a micro-simulation model, a sample of claims were recalculated to determine the difference between what would have been paid under the pre-reform UI program and what benefits were paid under the EI program. In assessing savings arising from reduced income benefits, the following provisions introduced at the time of EI reform were assessed:

- Increased entrance requirements for new entrants and re-entrants;
- Maximum Insurable Earnings frozen at $39,000 per *year;*
- Maximum weekly benefit rate reduced from $465 to $413;
- Reduction in benefit rate for frequent users—repealed in 2000;
- Twenty-six week rate calculation period and divisor used in determining weekly benefit rate;
- Reduction in maximum benefit duration from 50 to 45 weeks;
- Increased clawback provisions—modified in 2000;
- Introduction of family supplement benefits, which increased expenditures; and
- Insurability on an hourly base and from first dollar coverage.

Table 5: Savings Attributable to EI Reform ($M)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 (Maturity)	Estimated Savings at Maturity
Reduced Income Benefits	42	655	799	942	1,008	1,008	1,560
Increased Sanctions for Fraud	1.6	2.4	5.3	16.2	24.4	37.0	245
Enhanced Services	0	37.6	182.2	146.6	143.5	148.7	120
Administrative Savings	2.1	25.3	25.3	25.3	25.4	32.0	100
Total Savings	**45.7**	**720.3**	**1011.8**	**1130.1**	**1201.3**	**1225.7**	**2025.0**
Reinvestment in Active Measures	175	380	600	700	800	800	N/A

Note: due to rounding, figures may not add to equal the totals.
N/A = not applicable

[58] Savings of $1.2 billion represent 10.4% of total EI program expenditures of $11.5 billion in 2001/02.

Increased Sanctions for Fraud

As part of EI reform, increased sanctions for fraud were introduced. These sanctions included higher entrance requirement thresholds for claimants with prior fraud and financial penalties being imposed on employers involved in fraud and abuse of the EI program. It was estimated that the increased sanctions for fraud would result in savings of $245 million to the EI Account.

In 2001/02, increased sanctions for fraud resulted in an estimated $37 million in savings. The vast majority of these savings resulted from claimants not being eligible to establish a claim for benefits due to the increased entrance requirement imposed as a result of prior fraud. It should be noted that the estimated savings of $37 million does not include all possible savings arising from the increased sanctions. For instance, the above savings do not include claimants who did not apply for benefits knowing they would not qualify due to the increased entrance requirement. Further, the increased sanctions may have altered individual and firm behaviour, which has not been examined in assessing savings.

In 2002/03, 7,100 individuals were unable to establish a claim as a direct result of a higher entrance requirement. Estimated savings for this reporting period were $36 million.

In addition, over the last few years the EI program has taken a more balanced approach in terms of detection and prevention. There has been a greater focus on prevention activities to ensure that claimants are aware of the programs/sanctions that are in place to detect fraud and abuse. Prevention activities such as Group Information Sessions and other educational campaigns have had the result of reducing the incidence of fraud and abuse and, as a result, the number of sanctions imposed. However, it is very difficult to determine the impact on fraud and abuse attributable to these preventative initiatives.

Enhanced Service to Canadians

In order to help claimants return to work more quickly, Group Information Sessions were implemented in 1996. The overall objective of the Group Information Sessions is to introduce active interventions early in the claim to help initiate behavioural changes in claimants and help them return to work. These sessions inform claimants of the services available to assist them in re-entering the work force and provide claimants with information on their rights and obligations in order to help them make informed decisions.

It was estimated that savings of $125 million per year would be realized from this initiative. The savings are attributable to a combination of terminating benefits earlier and claimants returning to work faster. In fiscal year 2001/02 savings attributable to these enhanced services amounted to $148.7 million.

Administrative Savings

The EI reform introduced an hours-based system that simplified the calculation process. Simplifying the calculation process did initially result in forecasted administrative savings. However, it was necessary to make a number of adjustments to the system to address the results of consultations. Due to the additional complexities that were accommodated, the simplified calculation process did not generate the administrative savings anticipated at the time of reform.

The No Claimant Report Initiative (NO-CR) is the electronic processing of claimants' reports without the submission of a declaration by the claimants. The administrative savings were derived from the reduction in costs from not

having to mail or process bi-weekly reports. Under EI reform, the NO-CR initiative was applicable to clients in receipt of maternity, parental, and apprentice training benefits. Since implementation in July 1996 there has been a steady increase in the use of NO-CR.

In 1994, the cost to Canadian business for administering the ROE was estimated to be $64.4 millions. After reform, a businesses survey in 1999 estimated to $25 million (expressed in 1994 dollars) the savings derived from the reform. The 1999 survey of employers found that the new process was simpler and over half of the survey respondents indicated that there were savings as a result of the new process.

Such administrative changes also resulted in administrative savings for HRDC as the data on the ROE was more accurate than previously provided. These savings have not been specifically quantified.

Reinvestment in Active Measures

Funding for active measures under Part II is comprised of the Employment Benefits and Support Measures and similar programs delivered by provinces and territories ($1.95 billions) and pan-Canadian activities ($250 millions). Funding for the Employment Benefits and Support Measures, and similar programs, is distributed on the basis of two resource allocation models: (1) base funding of $1.15 billions and (2) reinvestment of reform savings of $800 millions.[59] The pan-Canadian budget is not distributed through a resource allocation model but is allocated by HRSD to respond to national or multi-regional challenges of special labour market issues.

All provinces and territories receive reinvestment funds. The major factor determining the allocation of reinvestment to each jurisdiction is reduction of the impact of the 1996 EI reforms to a more uniform level across regions ensuring that the net impact of EI reform in 2001/02 is relatively similar across provinces. To a lesser degree, the allocation of reinvestment was also intended to recognize the need to reduce the level of cross-subsidization between regions. The funds were allocated so that the net impact in provinces that are net contributors[60] was at least one percentage point below the level of the net impact in provinces that are net beneficiaries.[61]

[59] The total allocation under reinvestment increased annually from $175 millions in 1996/97 to $800 millions in mature years, beginning in 2000/01.
[60] Any province or territory whose workers contribute more to the EI program than the EI benefits received by its residents.
[61] Any province or territory whose workers contribute less to the EI program than the EI benefits received by its residents.